

ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 2005-2006 3086

SB

304

SFIN

FILE

REPORTED OUT
 MAR 17 2006
 SENATE FINANCE COMMITTEE

SENATE FINANCE COMMITTEE REPORT

DATE: 3/10/06

FURTHER:

DATE TURNED
 IN TO OFFICE: 3/17/06

Finance Committee considered

SENATE BILL NO. 304

SB 304 AIRPORT PARKING SHUTTLES/AIRPORT CHARGES

"An Act relating to the privileges of airport parking shuttles and to fees or charges imposed on a person who is not a lessee or holder of a privilege to use the property or a facility of an airport."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

CS Senate Bill:
 Same Title
 New Title

SCS House Bill:
 Same Title
 Technical Title Change
 New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#
Dot	2/27/06			✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			

FISCAL NOTE

STATE OF ALASKA
 2006 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 304
 (S) Publish Date: 3/10/06

Revision Date/Time (Note if correction): _____ Dept. Affected: DOT&PF
 Title Airport Parking Shuttles/Charges RDU Aviation
 Component International Airport System Office
 Sponsor Senate Transportation Committee
 Requester _____ Component No. 1649

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2006) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 This bill will not have a fiscal impact on the operations of the Department; however, its likely effect will be to shift a cost burden of between \$150,000 and \$200,000 from the off-site businesses to the signatory airlines that use the facilities of the International Airport System at Anchorage and Fairbanks. This is because, under the residual agreement between the airlines and the Department, the operations of the airports are revenue-neutral. Signatory airlines are obligated to pay the cost of operating the airports. Some of those costs are off-set by other airport users, such as car rental agencies and gift shops, which obtain their leases at a fair market value. If some of those sources of funds are eliminated, then the cost will be shifted to higher landing fees and terminal rental rates, and downstream to the ticket purchaser. The bill would undermine changes the Legislature enacted last year to AS 02.15.090(h) and (1) to provide the financing mechanism (customer facility charge) for the Anchorage airport rental car facility, currently under construction. The 8 percent Airport Parking Service fee is currently under administrative appeal.

Prepared by: John Manly Phone 465-8994
 Division: Commissioner's Office DOT&PF Date/Time 2/28/06 at 11 am
 Approved by: Mike Barton, commissioner Date 2/28/06
 Agency: DOT&PF

(Revised 9/7/005 OMB)

COMMITTEE COPY

ALASKA STATE LEGISLATURE

SENATE TRANSPORTATION COMMITTEE

Committee Members

Senator Huggins, Chairman
Senator Cowdery, Vice-Chair
Senator Therriault
Senator Kookesh
Senator French



State Capitol, Room 417
Juneau AK 99801-1182
907-465-3878
Fax: 907-465-3265

Sponsor Statement

Senate Bill 304

"An Act relating to the privileges of airport parking shuttles and to fees or charges imposed on a person who is not a lessee or holder of a privilege to use the property or a facility of an airport."

Under Alaska law, commercial vehicles that deliver people to the airport fall into one of six general categories: limos, tour buses, standard bus service, off airport shuttles, off airport car rental shuttles and courtesy vehicles. Depending upon the vehicle's classification, a fee is charged for what is essentially use of the airport's curb and roadway. The authority for the setting of these specific rates can be found in AS 02.15.090 which requires the fees charged to be "reasonable and uniform for the same class of privileges and services... and [to be established] with due regard to the property and improvements used and the expense of operation by the state."

At present, the rates charged by the Department of Transportation for these different vehicles to utilize the airport curb at the Anchorage International Airport varies from \$50.00 per year for a courtesy vehicle, taxi, or limo, to \$100 per year for a tour passenger vehicle, up to a maximum of \$1000.00 per year for a regularly scheduled bus.

In early 2005, the Department of Transportation proposed regulations, which would charge "off-airport valet parking services" a tax equal to 8% of their gross revenues. This change would constitute a drastic shift from the statutory language, which requires that the fees charged be "reasonable and uniform for the same class of privileges and services." While other courtesy services such as free hotel shuttles are charged a \$50 per vehicle fee, the proposal would charge free parking shuttles 8% of gross sales or \$250 annual minimum (whichever is greater). The two services are essentially the same class because both are "a free courtesy"; both offer an airport patron an off-site service and both require the same amount of accommodations on part of the Airport.

The purpose of SB304 is to clarify the law with regard to the charging of off-airport businesses who simply drop patrons at the curb or pick them up upon return and reflects the sentiment that the Department should set rates, which are based on use and not as a percentage of gross revenues. SB304 simply and specifically directs the Department that charges for usage must be consistent with other services that receive similar privileges and accommodations, may not be on a gross revenue basis and shall not have the effect of singling out one type of accommodations because it may currently or in the future compete with the airport.

adn.com

Anchorage Daily News

Print Page

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Parking problem**Anchorage airport fee proposal takes aim at low-cost competition***(Published: March 16, 2006)*

If you're looking to save money on parking during your next flight out of town, be forewarned. A proposed change in shuttle van access charges at Anchorage International Airport could push up off-site parking rates.

The airport lost \$1 million of parking business when a cheaper private parking lot opened down the road. The state Department of Transportation has responded by trying to jack up the rates private parking services have to pay for permission to shuttle passengers in and out of state-owned airport terminals.

If a business tried to pull a trick like that against a competitor, it would get a visit from the anti-trust police.

Airport officials say they aren't trying to pad their own agency's budget, they're just trying to save money for airlines. If parking and other concession revenues fall short of paying the airport's operating expenses and bonds, airlines have to make up the difference with higher landing fees. The airport is just the middleman that collects whatever money is needed.

Middleman the airport may be, but it's a middleman with monopoly power that can be abused. It controls access to a lucrative business environment. It can pick winners and losers by the rules it sets.

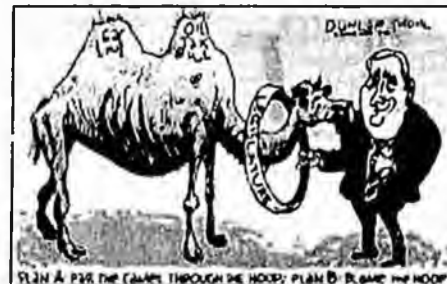
If the airport's going to play this kind of anti-competitive game, it could get really creative. It could take aim at all kinds of people who shop off-airport to avoid the high prices charged in the airport's captive market.

Hey buddy, you got a sandwich in your bag there? You're cutting into Burger King's revenues inside the terminal. It'll cost you an extra buck when you check in for your flight.

Ma'am, is that a book in your carry-on bag? Sorry, you'll have to pay the airport's new "Reading Material Importation Fee." It's only fair. Otherwise, you're depriving airport bookstores and magazine stands of their rightful business.

Silly isn't it? But no more so than jacking up the access fee for off-airport discount parking services.

The clumsy way the airport has structured the huge proposed fee increase -- 8 percent of gross sales, instead of the current flat fee for each shuttle van -- makes it doubly bad. There appears to be some question whether hotels would have to pay a huge portion of their gross sales just for the privilege of sending courtesy vans to and from the airport.

*(Peter Dunlap-Shohl)*

Fortunately, the airport's anti-competitive gambit has caught legislators' attention. A pending bill would allow a higher flat fee for parking lot shuttle buses, but it would block the exorbitant percent-of-the-gross fee proposed by the airport. If the airport won't straighten up and fly right, the legislature will have to keep this idea locked safely in a hangar.

BOTTOM LINE: That off-site airport parking lot has a big, ugly sign, but it shouldn't have to pay exorbitant fees to access Anchorage International Airport.

Right call

Video gaming initiative is 0 for 4

Lt. Gov. Loren Leman made the right call earlier this week when he refused to certify a ballot initiative from backers of a casino for video gaming and other activities.

The sponsors, represented by Anchorage attorney Ken Jacobus, lost again because they continue to sponsor a statewide initiative to confer special advantages to a potential owner of property in South Anchorage, Victoria Scott, who would be allowed to open a gaming establishment while other potential operators would need voter approval.

The Alaska Constitution doesn't allow special-interest initiatives. There's a place for special-interest proposals: the Alaska Legislature. Seriously, lobbyist jokes aside, lawmakers have the legal ability to pass special-interest legislation. But the Constitution bars such law-making by citizens initiative.

Heeding the Constitution, the Department of Law recommended -- for the fourth time -- that Lt. Gov. Leman reject the casino initiative. Mr. Jacobus had argued that a competitive advantage -- restricting other casinos in the market -- is fair for the petition backers to recoup their investment in the initiative. What?

No. No. No. No.

If initiative backers want a shot at gambling establishments in Alaska, let them put a fair initiative on the ballot. This deck was stacked in one person's favor. No straight table would tolerate it. Nor does the Alaska Constitution.

Wonder if these folks play poker like they do initiatives.

BOTTOM LINE: Video gaming initiative goes down again. Please, nobody help it up.

Jeff King


Iditarod champ at 50

With a great lead dog, his best team and a lifetime of hard-earned mushing expertise, Denali's Jeff King won his fourth Iditarod Trail Sled Dog Race early Wednesday.

He needed all of the above plus a little luck in the blowing snow between Kaltag and Unalakleet to stay ahead of Doug Swingley. He joined Mr. Swingley, Susan Butcher and Martin Buser as four-time winners. Rick Swenson has won five.

Yes, Mr. King may have invented a sled you can sit on, but it's clear the 50-year-old musher still has the legs to ride the runners.

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES

 Port of Seattle PROPOSED NEW PAGE SEA-TAC INTERNATIONAL AIRPORT AIRPORT TARIFF NO. 1	ORIGINAL/REVISED	PAGE
	9TH REVISION	19
	CANCELS	PAGE
	8TH REVISION	19

**SCHEDULE OF GROUND TRANSPORTATION
SERVICE CHARGES**

OPERATOR CLASS	FEE AMOUNT	FEE TYPE	EFFECTIVE DATE
*Courtesy Vans	\$ 0.75	Per Trip	June 1, 2003
	\$ 0.85	Per Trip	June 1, 2004
	\$ 0.95	Per Trip	June 1, 2005
	\$ 1.05	Per Trip	June 1, 2006
	\$ 1.15	Per Trip	June 1, 2007
	\$ 1.25	Per Trip	June 1, 2008
Charter Buses	\$ 10.50	Per Trip 1-14 Passenger Capacity Bus	November 15, 2003
	\$ 12.75	Per Trip 15-30 Passenger Capacity Bus	November 15, 2003
	\$ 17.00	Per Trip 31+ Passenger Capacity Bus	November 15, 2003
Airporter Services	\$ 2.75	Per Trip	November 15, 2003
Limited-License Taxi Cabs	\$180.00	Annual Per-Vehicle Permit	November 15, 2003
Pre-Arranged Limousines	\$250.00	Annual Per-Vehicle Permit	November 15, 2003
	OR \$ 10.00	OR Per Day Per Vehicle	November 15, 2003
Parcel Carriers and Delivery Companies	\$200.00	Annual Transferable Permit	November 15, 2003
Crew Van Operators	\$100.00	Annual Per-Vehicle Permit	November 15, 2003

*This schedule is in lieu of annual inflation adjustments for calendar years 1999 through 2008.

ALL TARIFF RATES, DEPOSITS, FEES, RENTALS AND CHARGES ARE SUBJECT TO ANNUAL AUTOMATIC ADJUSTMENTS FOR INFLATION (SEE PAGE 3B).

ISSUED: NOVEMBER 7, 2003	CORR. # 267	TBA	EFFECTIVE: NOVEMBER 15, 2003
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EXHIBIT E**THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT****COMMERCIAL ROADWAY
SCHEDULE OF FEES**

(Effective April 12, 1999)

ACCESS FEE	
VEHICLE TYPE	FEE
Taxis	\$1.50 each access
Executive Cars	\$1.50 each access
GVW of 4,000 lbs. or less (e.g., autos/vans)	\$1.00 each access
GVW of 4,001 through 10,000 lbs. (e.g., shuttle buses)	\$1.25 each access
GVW of 10,001 lbs. or more (e.g., buses)	\$10.00 each access
Other:	
Other:	

DWELL TIME FEE	
<p>The Dwell Time Fee applies to all Ground Transportation Vehicles using the Commercial Roadway, except on-demand Executive Cars, Taxicabs, Tri-Met buses and the Port's Airport to Downtown Concessionaire. The Dwell Time Fee is \$1.00 for each minute or portion thereof that the vehicle stays on the Commercial Roadway beyond the Allocated Dwell Times shown in the following chart. Times are calculated from the time that the vehicle passes through the entry gate until the time the vehicle passes through the exit gate.</p>	
VEHICLE CATEGORY/TYPE	ALLOCATED DWELL TIME
Scheduled Service Vehicles	10 minutes
Reservation Only Vehicles	30 minutes
Courtesy Vehicles	10 minutes

EXHIBIT E

**GROUND TRANSPORTATION FEES
17 AAC 42.095**

COURTESY VEHICLE, TAXI CAB	\$50 PER VEHICLE PER YEAR
LIMOUSINE	\$500 FOR THE FIRST VEHICLE AND \$50 FOR EACH THEREAFTER PER YEAR
TOUR BUS	\$100 PER VEHICLE PER YEAR OR \$50 PER VEHICLE PER YEAR IF LESS THAN 10 TRIPS
SCHEDULED BUS SERVICE	\$1,000 PER VEHICLE PER YR.
OFF AIRPORT SHUTTLE	\$500 FOR THE FIRST VEHICLE AND \$50 FOR EACH VEHICLE THEREAFTER PER YEAR
OFF AIRPORT CAR RENTAL	GREATER OF 8% OF GROSS SALES OR \$250 ANNUAL MINIMUM

**SENATE COMMITTEE REPORT
First Committee of Referral**

DATE: 2/21/06

FURTHER: Finance

Date of 5-Day Notice: 2/23/06
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 3/9/06

Transportation Committee considered SENATE BILL NO. 304

SB 304 AIRPORT PARKING SHUTTLES/AIRPORT CHARGES

"An Act relating to the privileges of airport parking shuttles and to fees or charges imposed on a person who is not a lessee or holder of a privilege to use the property or a facility of an airport."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

CS Senate Bill:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
SCS House Bill:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
DOT/DF	2/28/06			X	1

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Koolesh</i> Allent Koolesh			✓	
<i>French</i> [Signature]			X	
<i>Huggins</i> CHAIR: [Signature]	X			

SB

305

(FILE 1)

HFIN

FILE

24-GS2052N
Chenoweth
5/4/06

5/5/06
MH moved

Adopted

BK
Objected

HOUSE CS FOR CS FOR SENATE BILL NO. 305(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act repealing the oil production tax and the gas production tax and providing for a
2 production tax on oil and gas; relating to the calculation of the gross value at the point
3 of production of oil and gas and to the determination of the value of oil and gas for
4 purposes of the production tax on oil and gas; providing for tax credits against the
5 production tax on oil and gas; relating to the relationship of the production tax on oil
6 and gas to other taxes, to the dates those tax payments and surcharges are due, to
7 interest on overpayments of the tax, and to the treatment of the tax in a producer's
8 settlement with the royalty owners; relating to flared gas, and to oil and gas used in the
9 operation of a lease or property under the production tax; relating to the prevailing
10 value of oil and gas under the production tax; relating to surcharges on oil; relating to
11 statements or other information required to be filed with or furnished to the
12 Department of Revenue, to the penalty for failure to file certain reports for the tax, to

1 the powers of the Department of Revenue, and to the disclosure of certain information
2 required to be furnished to the Department of Revenue as applicable to the
3 administration of the tax; relating to criminal penalties for violating conditions
4 governing access to and use of confidential information relating to the tax, and to the
5 deposit of tax money collected by the Department of Revenue; amending the definitions
6 of 'gas,' 'oil,' and certain other terms for purposes of the production tax, and as the
7 definition of the term 'gas' applies in the Alaska Stranded Gas Development Act, and
8 adding further definitions; making conforming amendments; and providing for an
9 effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. The uncodified law of the State of Alaska is amended by adding a new section
12 to read:

13 LEGISLATIVE INTENT. (a) It is the intent of the legislature through sec. 11 of this
14 Act to confirm by clarification the long-standing interpretation of AS 43.55.020(f) by the
15 Department of Revenue.

16 (b) It is the intent of the legislature that the division or other unit of the Department of
17 Environmental Conservation assigned responsibility for administration of the programs under
18 AS 46.08 that are principally supported by the conservation surcharges on oil levied under
19 AS 43.55.201 - 43.55.299 and 43.55.300 - 43.55.310

20 (1) reduce program costs, including personnel costs, as necessary to operate
21 within the revenue anticipated to be generated by those surcharges, in the amounts of those
22 surcharges as amended by secs. 27 and 29 of this Act; and

23 (2) request appropriations for exceptional program needs and expansions
24 beyond what can be provided from the estimated amounts collected from those surcharges
25 from alternative funding sources.

26 * Sec. 2. AS 43.05.230(f) is amended to read:

27 (f) A willful violation of the provisions of this section or of a condition
28 imposed under AS 43.55.040(1)(B) is punishable by a fine of not more than \$5,000,

1 or by imprisonment for not more than two years, or by both.

2 * Sec. 3. AS 43.20.031(c) is amended to read:

3 (c) In computing the tax under this chapter, the taxpayer is not entitled to
4 deduct any taxes based on or measured by net income. The taxpayer may deduct the
5 tax levied and paid under AS 43.55.

6 * Sec. 4. AS 43.20.072(b) is amended to read:

7 (b) A taxpayer's business income to be apportioned under this section to the
8 state shall be the federal taxable income of the taxpayer's consolidated business for the
9 tax period, except that

10 (1) taxes based on or measured by net income that are deducted in the
11 determination of the federal taxable income shall be added back; the tax levied and
12 paid under AS 43.55 may not be added back;

13 (2) intangible drilling and development costs that are deducted as
14 expenses under 26 U.S.C. 263(c) (Internal Revenue Code) in the determination of the
15 federal taxable income shall be capitalized and depreciated as if the option to treat
16 them as expenses under 26 U.S.C. 263(c) (Internal Revenue Code) had not been
17 exercised;

18 (3) depletion deducted on the percentage depletion basis under 26
19 U.S.C. 613 (Internal Revenue Code) in the determination of the federal taxable income
20 shall be recomputed and deducted on the cost depletion basis under 26 U.S.C. 612
21 (Internal Revenue Code); and

22 (4) depreciation shall be computed on the basis of 26 U.S.C. 167
23 (Internal Revenue Code) as that section read on June 30, 1981.

24 * Sec. 5. AS 43.55.011 is amended by adding new subsections to read:

25 (e) There is levied on the producer of oil or gas a tax for all oil and gas
26 produced each month from each lease or property in the state, less any oil and gas the
27 ownership or right to which is exempt from taxation or constitutes a landowner's
28 royalty interest. Except as otherwise provided under (i) of this section, the tax is equal
29 to 20 percent of the production tax value of the taxable oil and gas as calculated under
30 AS 43.55.160.

31 (f) There is levied on the producer of oil or gas a tax for all oil and gas

1 produced each month from each lease or property in the state the ownership or right to
2 which constitutes a landowner's royalty interest, except for oil and gas the ownership
3 or right to which is exempt from taxation. The provisions of this subsection apply to a
4 landowner's royalty interest as follows:

5 (1) the rate of tax levied on oil is equal to five percent of the gross
6 value at the point of production of the oil;

7 (2) the rate of tax levied on gas is equal to 1.667 percent of the gross
8 value at the point of production of the gas;

9 (3) if the department determines that, for purposes of reducing the
10 producer's tax liability under (1) or (2) of this subsection, the producer has received or
11 will receive consideration from the royalty owner offsetting all or a part of the
12 producer's royalty obligation, other than a deduction under AS 43.55.020(d) of the
13 amount of a tax paid,

14 (A) notwithstanding (1) of this subsection, the tax is equal to

15 (i) for oil that is produced from a lease or property in
16 the Cook Inlet sedimentary basin, five percent of the gross value at the
17 point of production of the oil;

18 (ii) for oil, except oil described in (i) of this
19 subparagraph, 20 percent of the gross value at the point of production
20 of the oil; and

21 (B) notwithstanding (2) of this subsection, for gas the tax is
22 equal to 6.67 percent of the gross value at the point of production of the gas.

23 (g) In addition to the taxes levied under (e) and (f) of this section, during each
24 month for which the price index determined under (h) of this section is greater than
25 zero, there is levied on the producer of oil or gas a tax for all oil and gas produced
26 during that month from each lease or property in the state, less any oil and gas the
27 ownership or right to which is exempt from taxation or constitutes a landowner's
28 royalty interest. Except as otherwise provided under (i) of this section, the tax levied
29 under this subsection is equal to .25 percent of the production tax value of the taxable
30 oil and gas as calculated under AS 43.55.160, multiplied by the price index
31 determined under (h) of this section.

1 (h) For purposes of (g) of this section, the price index for a month is calculated
2 by subtracting 35 from the number that is equal to the quotient of the production tax
3 value of the taxable oil and gas produced during that month, as calculated under
4 AS 43.55.160, divided by the number of barrels of oil equivalent of that oil and gas.
5 For purposes of this subsection, a barrel of oil equivalent is a barrel of oil, in the case
6 of oil, or 6,000 cubic feet of gas, in the case of gas.

7 (i) If a producer produces gas during a month from a lease or property in the
8 Cook Inlet sedimentary basin, and if the imputed gas tax rate for that month under (j)
9 of this section exceeds \$.019 per Mcf, the producer's total tax for that month levied
10 under (e) and (g) of this section is reduced by the amount equal to the number of Mcf
11 produced by the producer from all leases or properties in the Cook Inlet sedimentary
12 basin and taxable under (e) and (g) of this section, multiplied by the difference
13 between that imputed gas rate and \$.019 per Mcf.

14 (j) For purposes of (i) of this section, a producer's imputed gas tax rate for a
15 month is equal to

$$1/6 \times TT/BOE$$

16 where

17
18 (1) TT = the producer's total tax for the month levied under (e) and (g)
19 of this section, calculated without regard to (i) of this section and net of any credits
20 that are available to be applied under this chapter; and

21 (2) BOE = the amount of oil and gas produced by the producer during
22 the month and taxable under (e) of this section, expressed as barrels of oil equivalent;
23 for purposes of this paragraph, a barrel of oil equivalent is

24 (A) one barrel of oil, in the case of oil;

25 (B) six Mcf of gas, in the case of gas.

26 (k) In (i) and (j) of this section, "Mcf" means 1,000 cubic feet.

27 * Sec. 6. AS 43.55.017(a) is amended to read:

28 (a) Except as provided in this chapter, the taxes imposed by this chapter are in
29 place of all taxes now imposed by the state or any of its municipalities, and neither the
30 state nor a municipality may impose a tax on [UPON]

31 (1) producing oil or gas leases;

1 (2) oil or gas produced or extracted in the state;

2 (3) the value of intangible drilling and development costs, as
3 described in 26 U.S.C. 263(c) (Internal Revenue Code), as amended through
4 January 1, 1974 [EXPLORATION EXPENSES].

5 * Sec. 7. AS 43.55.020(a) is repealed and reenacted to read:

6 (a) Ninety-five percent of the total tax levied under AS 43.55.011(e) - (g), net
7 of any credits applied under this chapter, is due on the last day of each calendar month
8 on oil and gas produced from each lease or property during the preceding month. The
9 remaining portion of the tax levied under AS 43.55.011(e) - (g), net of any credits
10 applied under this chapter, is due on March 31 of the year following the calendar year
11 during which the oil and gas were produced. An unpaid amount of tax that is not paid
12 when due in accordance with this subsection becomes delinquent. An overpayment of
13 tax with respect to a month may be applied against the tax due for any later month.
14 Notwithstanding any contrary provision of AS 43.05.280, interest on an overpayment
15 is allowed only from a date that is 90 days after the later of (1) the March 31 described
16 in this subsection, or (2) the date that the statement required under AS 43.55.030(a)
17 and (e) to be filed on or before that March 31 is filed. Interest is not allowed if the
18 overpayment was refunded within the 90-day period.

19 * Sec. 8. AS 43.55.020(b) is amended to read:

20 (b) The production tax on oil and [OR] gas shall be paid by or on behalf of the
21 producer.

22 * Sec. 9. AS 43.55.020(d) is amended to read:

23 (d) In making settlement with the royalty owner for oil and gas that is
24 taxable under AS 43.55.011, the producer may deduct the amount of the tax paid on
25 taxable royalty oil and [OR] gas, or may deduct taxable royalty oil or gas equivalent
26 in value at the time the tax becomes due to the amount of the tax paid. Unless
27 otherwise agreed between the producer and the royalty owner, the amount of the
28 tax paid under AS 43.55.011(e) and (g) on taxable royalty oil and gas for a month,
29 other than oil and gas the ownership or right to which constitutes a landowner's
30 royalty interest, is considered to be the gross value at the point of production of
31 the taxable royalty oil and gas produced during the month multiplied by a figure

1 that is a quotient, in which

2 (1) the numerator is the producer's total tax liability under
3 AS 43.55.011(e) and (g) for the month of production; and

4 (2) the denominator is the total gross value at the point of
5 production of the oil and gas taxable under AS 43.55.011(e) and (g) produced by
6 the producer from all leases and properties in the state during the month.

7 * Sec. 10. AS 43.55.020(c) is repealed and reenacted to read:

8 (c) Gas flared, released, or allowed to escape in excess of the amount
9 authorized by the Alaska Oil and Gas Conservation Commission is considered, for the
10 purpose of AS 43.55.011 - 43.55.180, as gas produced from a lease or property. Oil or
11 gas used in the operation of a lease or property in the state in drilling for or producing
12 oil or gas, or for repressuring, except to the extent determined by the Alaska Oil and
13 Gas Conservation Commission to be waste, is not considered, for the purpose of
14 AS 43.55.011 - 43.55.180, as oil or gas produced from a lease or property.

15 * Sec. 11. AS 43.55.020(f) is amended to read:

16 (f) If oil or gas is produced but not sold, or if oil or gas is produced and
17 sold under circumstances where the sale price does not represent the prevailing value
18 for oil or gas of like kind, character, or quality in the field or area from which the
19 product is produced, the department may require the tax to be paid upon the basis of
20 the value of oil or gas of the same kind, quality, and character prevailing for that field
21 or area during the calendar month of production or sale [FOR THAT FIELD OR
22 AREA].

23 * Sec. 12. AS 43.55 is amended by adding a new section to read:

24 **Sec. 43.55.024. Tax credits for certain losses and expenditures.** (a) A
25 producer or explorer may take a tax credit for a qualified capital expenditure as
26 follows:

27 (1) notwithstanding that a qualified capital expenditure may be a
28 deductible lease expenditure for purposes of calculating the production tax value of oil
29 and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under
30 AS 38.05.180(i), AS 41.09.010, AS 43.26.043, or AS 43.55.025.

31 (A) a producer or explorer that incurs a qualified capital

1 expenditure may also elect to take a tax credit against a tax due under
2 AS 43.55.011(e) in the amount of 20 percent of that expenditure;

3 (B) for a calendar year for which the producer makes an
4 election under AS 43.55.160(f), instead of taking a tax credit at a rate
5 authorized by (A) of this paragraph as to each separate qualified capital
6 expenditure after it has been incurred, a producer that incurs a qualified capital
7 expenditure during that year and that wishes to apply a credit based on that
8 expenditure against a tax due under AS 43.55.011(e) shall calculate and apply
9 every month an annualized tax credit in an amount equal to $1 \frac{2}{3}$ percent of the
10 total qualified capital expenditures incurred during that year and for which the
11 tax credit is taken for that year;

12 (2) a producer or explorer may take a credit for a qualified capital
13 expenditure incurred in connection with geological or geophysical exploration or in
14 connection with an exploration well only if the producer or explorer provides to the
15 department, as part of the statement required under AS 43.55.030(a) for the month for
16 which the credit is sought to be taken, the producer's or explorer's written agreement

17 (A) to notify the Department of Natural Resources, within 30
18 days after completion of the geological or geophysical data processing or
19 completion of the well, or within 30 days after the statement is filed, whichever
20 is the latest, of the date of completion and to submit a report to that department
21 describing the processing sequence and provide a list of data sets available;

22 (B) to provide to the Department of Natural Resources, within
23 30 days after the date of a request, specific data sets, ancillary data, and reports
24 identified in (A) of this paragraph;

25 (C) that, notwithstanding any provision of AS 38, the
26 Department of Natural Resources shall hold confidential the information
27 provided to that department under this paragraph for 10 years following the
28 completion date, after which the department shall publicly release the
29 information after 30 days' public notice.

30 (b) A producer or explorer may elect to take a tax credit in the amount of 20
31 percent of a carried-forward annual loss. A credit under this subsection may be applied

1 against a tax due under AS 43.55.011(e) and may be applied irrespective of whether
2 the producer or explorer also claims a credit for transitional investment expenditures
3 authorized by (i) of this section. For purposes of this subsection, a carried-forward
4 annual loss is the amount of a producer's or explorer's adjusted lease expenditures
5 under AS 43.55.160 for a previous calendar year that was not deductible in any month
6 under AS 43.55.160(a) and (b).

7 (c) A credit or portion of a credit under this section may not be used to reduce
8 a person's tax liability under AS 43.55.011(e) for any month below zero, and any
9 unused credit or portion of a credit not used under this subsection may be applied in a
10 later month.

11 (d) Except as limited by (i) of this section, a person entitled to take a tax credit
12 under this section that wishes to transfer the unused credit to another person may
13 apply to the department for a transferable tax credit certificate. An application under
14 this subsection must be on a form prescribed by the department and must include
15 supporting information and documentation that the department reasonably requires.
16 The department shall grant or deny an application, or grant an application as to a lesser
17 amount than that claimed and deny it as to the excess, not later than 60 days after the
18 latest of (1) March 31 of the year following the calendar year in which the qualified
19 capital expenditure or carried-forward annual loss for which the credit is claimed was
20 incurred; (2) if the applicant is required under AS 43.55.030(a) and (e) to file a
21 statement on or before March 31 of the year following the calendar year in which the
22 qualified capital expenditures or carried-forward annual loss for which the credit is
23 claimed was incurred, the date the statement was filed; or (3) the date the application
24 was received by the department. If, based on the information then available to it, the
25 department is reasonably satisfied that the applicant is entitled to a credit, the
26 department shall issue the applicant a transferable tax credit certificate for the amount
27 of the credit. A certificate issued under this subsection does not expire.

28 (e) A person to which a transferable tax credit certificate is issued under (d) of
29 this section may transfer the certificate to another person, and a transferee may further
30 transfer the certificate. Subject to the limitations set out in (a) - (c) of this section, and
31 notwithstanding any action the department may take with respect to the applicant

1 under (f) of this section, the owner of a certificate may apply the credit or a portion of
2 the credit shown on the certificate only against a tax due under AS 43.55.011(e).
3 However, a credit shown on a transferable tax credit certificate may not be applied to
4 reduce a transferee's total tax due under AS 43.55.011(e) on oil and gas produced
5 during a calendar year to less than 80 percent of the tax that would otherwise be due
6 without applying that credit. Any portion of a credit not used under this subsection
7 may be applied in a later period.

8 (f) The issuance of a transferable tax credit certificate under (d) of this section
9 does not limit the department's ability to later audit a tax credit claim to which the
10 certificate relates or to adjust or deny the claim if the department determines that the
11 applicant was not entitled to the amount of the credit for which the certificate was
12 issued. The tax liability of the applicant under AS 43.55.011(e) and 43.55.017 -
13 43.55.180 is increased by the amount of the credit that exceeds that to which the
14 applicant was entitled. That amount bears interest under AS 43.05.22: from the date
15 the transferable tax credit certificate was issued. For purposes of this subsection, an
16 applicant that is an explorer is considered a producer subject to the tax levied under
17 AS 43.55.011(e).

18 (g) The department may adopt regulations to carry out the purposes of this
19 section, including prescribing reporting, record keeping, and certification procedures
20 and requirements to verify the accuracy of credits claimed and to ensure that a credit is
21 not used more than once, and otherwise implementing this section.

22 (h) A person may not elect to take a tax credit under (a) or (i) of this section
23 for an expenditure incurred to acquire an asset (1) the cost of previously acquiring
24 which was a lease expenditure under AS 43.55.160(c) or would have been a lease
25 expenditure under AS 43.55.160(c) if it had been incurred on or after July 1, 2006; or
26 (2) that has previously been placed in service in the state. An expenditure to acquire an
27 asset is not excluded under this subsection if not more than an immaterial portion of
28 the asset meets a description under (1) or (2) of this subsection. For purposes of this
29 subsection, "asset" includes geological, geophysical, and well data and interpretations.

30 (i) For the purposes of this section,

31 (1) a producer's or explorer's transitional investment expenditures are

1 the sum of the expenditures the producer or explorer incurred on or after July 1, 2001,
2 and before July 1, 2006, that would be qualified capital expenditures if they were
3 incurred on or after July 1, 2006, less the sum of the payments or credits the producer
4 or explorer received before July 1, 2006, for the sale or other transfer of assets,
5 including geological, geophysical, or well data or interpretations, acquired by the
6 producer or explorer as a result of expenditures the producer or explorer incurred
7 before July 1, 2006, that would be qualified capital expenditures, if they were incurred
8 on or after July 1, 2006;

9 (2) a producer or explorer may elect to take a tax credit against a tax
10 due under AS 43.55.011(e) in the amount of 20 percent of the producer's or explorer's
11 transitional investment expenditures, but only to the extent that the amount does not
12 exceed

13 (A) one-half of the producer's or explorer's qualified capital
14 expenditures that are incurred during the month for which the credit is taken, if
15 the producer or explorer does not make an election under AS 43.55.160(f);

16 (B) 1/24 of the producer's or explorer's qualified capital
17 expenditures that are incurred during the calendar year that includes the month
18 for which the credit is taken, if the producer or explorer makes an election
19 under AS 43.55.160(f);

20 (3) a producer or explorer may not take a tax credit for a transitional
21 investment expenditure

22 (A) for any month that ends the later of

23 (i) July 31, 2013; or

24 (ii) the seventh anniversary of the last day of the month
25 for which the producer first applies a credit under this subsection
26 against a tax due under AS 43.55.011(e), if the producer did not have
27 commercial production of oil or gas from a lease or property in the state
28 before July 1, 2006;

29 (B) more than once; or

30 (C) if a credit for that expenditure was taken under
31 AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025;

1 (4) notwithstanding (d) - (f) of this section, a producer or explorer may
2 not transfer a tax credit or obtain a transferable tax credit certificate for a transitional
3 investment expenditure.

4 (j) As a condition of receiving a tax credit under this section, a producer or
5 explorer that obtains the tax credit for or directly related to a pipeline, facility, or other
6 asset that

7 (1) is or becomes subject to regulation by the Federal Energy
8 Regulatory Commission or the Regulatory Commission of Alaska, or a successor
9 regulatory body shall at all times support and in all rate proceedings file to flow
10 through 100 percent of the tax credits to ratepayers as a reduction in the costs of
11 service for the pipeline, facility, or other asset;

12 (2) is not regulated by the Federal Energy Regulatory Commission or
13 the Regulatory Commission of Alaska, or a successor regulatory body, and that
14 charges third parties for use of a pipeline, facility, or other asset shall flow through
15 100 percent of the tax credits as a reduction in the costs of service on which the
16 charges set by the producer or explorer for the pipeline, facility, or other asset are
17 based.

18 (k) In this section, "qualified capital expenditure" means, except as otherwise
19 provided in (h) of this section, an expenditure that is a lease expenditure under
20 AS 43.55.160 and is

21 (1) incurred for geological or geophysical exploration; or

22 (2) treated as a capitalized expenditure under 26 U.S.C. (Internal
23 Revenue Code), as amended, regardless of elections made under 26 U.S.C. 263(c)
24 (Internal Revenue Code), as amended, and is

25 (A) treated as a capitalized expenditure for federal income tax
26 reporting purposes by the person incurring the expenditure; or

27 (B) eligible to be deducted as an expense under 26 U.S.C.
28 263(c) (Internal Revenue Code), as amended.

29 * Sec. 13. AS 43.55.025(a) is amended to read:

30 (a) Subject to the terms and conditions of this section, [ON OIL AND GAS
31 PRODUCED ON OR AFTER JULY 1, 2004, FROM AN OIL AND GAS LEASE.

1 OR ON GAS PRODUCED FROM A GAS ONLY LEASE,] a credit against the
2 production tax due under AS 43.55.011(e) [THIS CHAPTER] is allowed for
3 exploration expenditures that qualify under (b) of this section in an amount equal to
4 one of the following:

5 (1) 20 percent of the total exploration expenditures that qualify only
6 under (b) and (c) of this section;

7 (2) 20 percent of the total exploration expenditures for work performed
8 before July 1, 2007, and that qualify only under (b) and (d) of this section;

9 (3) 40 percent of the total exploration expenditures that qualify under
10 (b), (c), and (d) of this section; or

11 (4) 40 percent of the total exploration expenditures that qualify only
12 under (b) and (e) of this section.

13 * Sec. 14. AS 43.55.025(b) is amended to read:

14 (b) To qualify for the production tax credit under (a) of this section, an
15 exploration expenditure must be incurred for work performed on or after July 1, 2003,
16 and before July 1, 2016 [2007], except that an exploration expenditure for a Cook Inlet
17 prospect must be incurred for work performed on or after July 1, 2005, [AND
18 BEFORE JULY 1, 2010, AND EXCEPT THAT AN EXPLORATION
19 EXPENDITURE, IN WHOLE OR IN PART, SOUTH OF 68 DEGREES, 15
20 MINUTES, NORTH LATITUDE, AND NOT PART OF A COOK INLET
21 PROSPECT MUST BE INCURRED FOR WORK PERFORMED ON OR AFTER
22 JULY 1, 2003, AND BEFORE JULY 1, 2010,] and

23 (1) may be for seismic or geophysical exploration costs not connected
24 with a specific well;

25 (2) if for an exploration well,

26 (A) must be incurred by an explorer that holds an interest in the
27 exploration well for which the production tax credit is claimed;

28 (B) may be for either an oil or gas discovery well or a dry hole;

29 and

30 (C) must be for goods, services, or rentals of personal property
31 reasonably required for the surface preparation, drilling, casing, cementing,

1 and logging of an exploration well, and, in the case of a dry hole, for the
2 expenses required for abandonment if the well is abandoned within 18 months
3 after the date the well was spudded;

4 (3) may not be for testing, stimulation, or completion costs;
5 administration, supervision, engineering, or lease operating costs; geological or
6 management costs; community relations or environmental costs; bonuses, taxes, or
7 other payments to governments related to the well; or other costs that are generally
8 recognized as indirect costs or financing costs; and

9 (4) may not be incurred for an exploration well or seismic exploration
10 that is included in a plan of exploration or a plan of development for any unit on
11 May 13, 2003.

12 * Sec. 15. AS 43.55.025(f) is amended to read:

13 (f) For a production tax credit under this section,

14 (1) an explorer shall, in a form prescribed by the department and
15 within six months of the completion of the exploration activity, claim the credit and
16 submit information sufficient to demonstrate to the department's satisfaction that the
17 claimed exploration expenditures qualify under this section;

18 (2) an explorer shall agree, in writing,

19 (A) to notify the Department of Natural Resources, within 30
20 days after completion of seismic or geophysical data processing, completion of
21 a well, or filing of a claim for credit, whichever is the latest, for which
22 exploration costs are claimed, of the date of completion and submit a report to
23 that department describing the processing sequence and providing a list of data
24 sets available; if, under (c)(2)(B) of this section, an explorer submits a claim
25 for a credit for expenditures for an exploration well that is located within three
26 miles of a well already drilled for oil and gas, in addition to the submissions
27 required under (1) of this subsection, the explorer shall submit the information
28 necessary for the commissioner of natural resources to evaluate the validity of
29 the explorer's claim that the well is directed at a distinctly separate exploration
30 target, and the commissioner of natural resources shall, upon receipt of all
31 evidence sufficient for the commissioner to evaluate the explorer's claim, make

1 that determination within 60 days;

2 (B) to provide to the Department of Natural Resources, within
3 30 days after the date of a request, specific data sets, ancillary data, and reports
4 identified in (A) of this paragraph;

5 (C) that, notwithstanding any provision of AS 38, information
6 provided under this paragraph will be held confidential by the Department of
7 Natural Resources for 10 years following the completion date, at which time
8 that department will release the information after 30 days' public notice;

9 (3) if more than one explorer holds an interest in a well or seismic
10 exploration, each explorer may claim an amount of credit that is proportional to the
11 explorer's cost incurred;

12 (4) the department may exercise the full extent of its powers as though
13 the explorer were a taxpayer under this title, in order to verify that the claimed
14 expenditures are qualified exploration expenditures under this section; and

15 (5) if the department is satisfied that the explorer's claimed
16 expenditures are qualified under this section, the department shall issue to the explorer
17 a production tax credit certificate for the amount of credit to be allowed against
18 production taxes due under AS 43.55.011(e) [THIS CHAPTER]; however,
19 notwithstanding any other provision of this section, after the end of the calendar
20 year following the calendar year in which the total of production tax credit
21 certificates issued by the department under this section based on exploration
22 expenditures for Cook Inlet prospects reaches \$20,000,000, the department may
23 not issue to an explorer a production tax credit certificate [IF THE TOTAL OF
24 PRODUCTION TAX CREDITS SUBMITTED FOR COOK INLET
25 PRODUCTION,] based on an exploration expenditure for a Cook Inlet prospect
26 [EXPENDITURES FOR WORK PERFORMED DURING THE PERIOD
27 DESCRIBED IN (b) OF THIS SECTION FOR THAT PRODUCTION, THAT HAVE
28 BEEN APPROVED BY THE DEPARTMENT EXCEEDS \$20,000,000].

29 * Sec. 16. AS 43.55.025(h) is amended to read:

30 (h) A producer that purchases a production tax credit certificate may apply the
31 credits against its production tax liability under AS 43.55.011(e) [THIS CHAPTER].

1 Regardless of the price the producer paid for the certificate, the producer may receive
2 a credit against its production tax liability for the full amount of the credit, but for not
3 more than the amount for which the certificate is issued. A production tax credit
4 allowed under this section may not be applied more than once.

5 * Sec. 17. AS 43.55.025(i) is amended to read:

6 (i) For a production tax credit under this section,

7 (1) the amount of the credit that may be applied against the production
8 tax for each tax month may not exceed the total production tax liability under
9 AS 43.55.011(e) of the taxpayer applying the credit for the same month; and

10 (2) an amount of the production tax credit that is greater than the total
11 tax liability under AS 43.55.011(e) of the taxpayer applying the credit for a tax month
12 may be carried forward and applied against the taxpayer's production tax liability
13 under AS 43.55.011(e) in one or more immediately following months.

14 * Sec. 18. AS 43.55.030(a) is amended to read:

15 (a) The tax shall be paid to the department, and the person paying the tax shall
16 file with the department at the time the tax or a portion of the tax is required to be
17 paid a statement, under oath, on forms prescribed by or acceptable to the department,
18 giving, with other information required, the following:

19 (1) a description of each [THE] lease or property from which the oil
20 and [OR] gas were [WAS] produced, by name, legal description, lease number, or
21 [BY] accounting codes [CODE NUMBERS] assigned by the department;

22 (2) the names of the producer and the person paying the tax;

23 (3) the gross amount of oil and the gross amount of [OR] gas
24 produced from each [THE] lease or property, and the percentage of the gross amount
25 of oil and gas owned by each producer for whom the tax is paid;

26 (4) the gross [TOTAL] value at the point of production of the oil
27 and of the [OR] gas produced from each [THE] lease or property owned by each
28 producer for whom the tax is paid; [AND]

29 (5) the name of the first purchaser and the price received for the oil
30 and for the [OR] gas, unless relieved from this requirement in whole or in part by
31 the department; and

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(6) the producer's lease expenditures and adjustments as calculated under AS 43.55.160 [IF SOLD IN THE STATE].

* Sec. 19. AS 43.55.030(d) is amended to read:

(d) Reports by or on behalf of the producer are delinquent the first day following the day the tax is due. [EACH PRODUCER IS SUBJECT TO A PENALTY OF \$25 A DAY FOR EACH LEASE OR PROPERTY UPON WHICH THE REPORT IS NOT FILED. THE PENALTY FOR FAILURE TO FILE A REPORT IS IN ADDITION TO THE PENALTY FOR DELINQUENT TAXES, AND IS A LIEN AGAINST THE ASSETS OF THE PRODUCER.]

* Sec. 20. AS 43.55.030 is amended by adding a new subsection to read:

(e) In addition to other required information, the statement required to be filed on or before March 31 of a year must show any adjustments or corrections to the statements that were required under (a) of this section to be filed for the months of the preceding calendar year during which the oil or gas was produced.

* Sec. 21. AS 43.55.040 is amended to read:

Sec. 43.55.040. Powers of Department of Revenue. Except as provided in AS 43.05.405 - 43.05.499, the department may

(1) require a person engaged in production and the agent or employee of the person, and the purchaser of oil or gas, or the owner of a royalty interest in oil or gas to furnish, whether by the filing of regular statements or reports or otherwise, additional information that is considered by the department as necessary to compute the amount of the tax; notwithstanding any contrary provision of law, the disclosure of additional information under this paragraph to the producer obligated to pay the tax does not violate AS 40.25.100(a) or AS 43.05.230(a); before disclosing information under this paragraph that is otherwise required to be held confidential under AS 40.25.100(a) or AS 43.05.230(a), the department shall

(A) provide the person that furnished the information a reasonable opportunity to be heard regarding the proposed disclosure and the conditions to be imposed under (B) of this paragraph; and

(B) impose appropriate conditions limiting

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(i) access to the information to those legal counsel, consultants, employees, officers, and agents of the producer who have a need to know that information for the purpose of determining or contesting the producer's tax obligation: and

(ii) the use of the information to use for that purpose;

(2) examine the books, records, and files of such a person;

(3) conduct hearings and compel the attendance of witnesses and the production of books, records, and papers of any person; and

(4) make an investigation or hold an inquiry that is considered necessary to a disclosure of the facts as to

(A) the amount of production from any oil or gas location, or of a company or other producer of oil or gas; and

(B) the rendition of the oil and gas for taxing purposes.

* Sec. 22. AS 43.55.080 is amended to read:

Sec. 43.55.080. Collection and deposit of revenue. Except as otherwise provided under art. IX, sec. 17, Constitution of the State of Alaska, the [THE] department shall deposit in the general fund the money collected by it under AS 43.55.011 - 43.55.180 [AS 43.55.011 - 43.55.150].

* Sec. 23. AS 43.55.135 is amended to read:

Sec. 43.55.135. Measurement. For the purposes of AS 43.55.011 - 43.55.180 [AS 43.55.011 - 43.55.150], oil is [SHALL BE] measured in terms of a "barrel of oil" and gas is [SHALL BE] measured in terms of a "cubic foot of gas."

* Sec. 24. AS 43.55.150(a) is amended to read:

(a) For the purposes of AS 43.55.011 - 43.55.180 [AS 43.55.011 - 43.55.150], the gross value at the point of production is [SHALL BE] calculated using the reasonable costs of transportation of the oil or gas. The reasonable costs of transportation are [SHALL BE] the actual costs, except when the

(1) [WHEN THE] parties to the transportation of oil or gas are affiliated;

(2) [WHEN THE] contract for the transportation of oil or gas is not an

1 arm's length transaction or is not representative of the market value of that
2 transportation; and

3 (3) [WHEN THE] method of transportation of oil or gas is not
4 reasonable in view of existing alternative methods of transportation.

5 * Sec. 25. AS 43.55.150 is amended by adding a new subsection to read:

6 (d) Under regulations adopted by the department, the department may allow a
7 producer, subject to limitations prescribed by the department as to the frequency of
8 making elections, to elect prospectively to calculate the gross value at the point of
9 production of oil or gas based in whole or part on

10 (1) a royalty value determined under a royalty settlement agreement
11 between the producer and the state, with adjustments if appropriate;

12 (2) a formula prescribed by the department that uses, with adjustments
13 if appropriate, a royalty value or valuation methodology accepted by the

14 (A) Department of Natural Resources under AS 38.05, in the
15 case of oil and gas produced from a lease issued by the Department of Natural
16 Resources or produced from a lease or property that is part of a unit approved
17 by the Department of Natural Resources;

18 (B) United States Department of the Interior under applicable
19 federal oil and gas leasing statutes, in the case of oil and gas produced from a
20 lease issued by the United States Department of the Interior that is not part of a
21 unit approved by the Department of Natural Resources, or produced from a
22 lease or property that is part of a unit approved by the United States
23 Department of the Interior but not approved by the Department of Natural
24 Resources; or

25 (3) another formula prescribed by the Department of Revenue that
26 reasonably estimates a value for the oil or gas at a specific geographical location, such
27 as the point of tender or delivery into a common carrier pipeline; the formula may use
28 factors such as published price indices for oil or gas in or outside the state, quality
29 differentials for oil or gas, transportation costs between markets, and inflation
30 adjustments.

31 * Sec. 26. AS 43.55 is amended by adding new sections to article 1 to read:

1 **Sec. 43.55.160. Determination of production tax value of oil and gas. (a)**

2 Except as provided in (f) of this section, for purposes of AS 43.55.011(e) and (g), the
3 production tax value of the taxable oil and gas produced during a month is (1) the total
4 of (A) the gross value at the point of production of the oil taxable under
5 AS 43.55.011(e) and (g) and produced by the producer from all leases or properties in
6 the state, less three-quarters of the gross value at the point of production of the oil
7 taxable under AS 43.55.011(e) and (g) and produced by the producer from leases or
8 properties in the Cook Inlet sedimentary basin, and (B) one-third of the gross value at
9 the point of production of the gas taxable under AS 43.55.011(e) and (g) and produced
10 by the producer from all leases or properties in the state, (2) less the producer's lease
11 expenditures for the month as adjusted under (e) of this section. However, the
12 production tax value calculated under this subsection may not be less than zero. If a
13 producer does not produce taxable oil or gas during a month, the producer is
14 considered to have generated a positive production tax value if the calculation
15 described in this subsection yields a positive number because the producer's adjusted
16 lease expenditures for a month are less than zero as a result of the producer's receiving
17 a payment or credit under (e) of this section or otherwise.

18 (b) For purposes of administration of (a) of this section,

19 (1) any adjusted lease expenditures that would otherwise be deductible
20 in a month but whose deduction would cause the production tax value calculated under
21 (a) of this section of the taxable oil and gas produced during the month to be less than
22 zero may be added to the producer's adjusted lease expenditures for one or more other
23 months in the same calendar year; the total of any adjusted lease expenditures that are
24 not deductible in any month during a calendar year because their deduction would
25 cause the production tax value calculated under (a) of this section of the taxable oil
26 and gas produced during one or more months to be less than zero may be used to
27 establish a carried-forward annual loss under AS 43.55.024(b);

28 (2) an explorer that has taken a tax credit under AS 43.55.024(b) or
29 that has obtained a transferable tax credit certificate under AS 43.55.024(d) for the
30 amount of a tax credit under AS 43.55.024(b) is considered a producer, subject to the
31 tax levied under AS 43.55.011(e), to the extent that the explorer generates a positive

1 production tax value as the result of the explorer's receiving a payment or credit
2 described in (e) of this section.

3 (c) For purposes of this section,

4 (1) a producer's lease expenditures for a period are the total costs
5 upstream of the point of production of oil and gas that are incurred on or after July 1,
6 2006, by the producer during the period and that are direct, ordinary, and necessary
7 costs of exploring for, developing, or producing oil or gas deposits located within the
8 producer's leases or properties in the state or, in the case of land in which the producer
9 does not own a working interest, direct, ordinary, and necessary costs of exploring for
10 oil or gas deposits located within other land in the state; however, lease expenditures
11 do not include the costs incurred to satisfy a work commitment under an exploration
12 license under AS 38.05.132; in determining whether costs are direct, ordinary, and
13 necessary costs of exploring for, developing, or producing oil or gas deposits located
14 within a lease or property or other land in the state.

15 (A) the department shall give substantial weight to the typical
16 industry practices and standards in the state and in the United States in
17 determining costs that an operator is allowed to bill a working interest owner
18 that is not the operator, under unit operating agreements or similar operating
19 agreements that were in effect on or before December 1, 2005, and were
20 subject to negotiation with at least one working interest owner with substantial
21 bargaining power, other than the operator; and

22 (B) as to matters that are not addressed by the industry
23 practices and standards described in (A) of this paragraph or as to which those
24 practices and standards are not clear or are not uniform, the department shall
25 give substantial weight to the standards adopted by the Department of Natural
26 Resources that determine the costs, other than interest, that a lessee is allowed
27 to deduct from revenue in calculating net profits under a lease issued under
28 AS 38.05.180(f)(3)(B), (D), or (E);

29 (2) the Department of Revenue may authorize a producer, including a
30 producer that is an operator, to treat as its lease expenditures under this section the
31 costs paid by the producer that are billed to the producer by an operator in accordance

1 with the terms of a unit operating agreement or similar operating agreement if the
2 Department of Revenue finds that

3 (A) the pertinent provisions of the operating agreement are
4 substantially consistent with the Department of Revenue's determinations and
5 standards otherwise applicable under this subsection; and

6 (B) at least one working interest owner party to the agreement,
7 other than the operator, has substantial incentive and ability to effectively audit
8 billings under the agreement;

9 (3) an activity does not need to be physically located on or near the
10 premises of the lease or property from which oil or gas is recovered in order for the
11 cost of the activity to be a cost upstream of the point of production of the oil or gas.

12 (d) For purposes of (c) of this section, "direct costs"

13 (1) includes

14 (A) an expenditure, when incurred, to acquire an item if the
15 acquisition cost is otherwise a direct cost, notwithstanding that the expenditure
16 may be required to be capitalized rather than treated as an expense for financial
17 accounting or federal income tax purposes;

18 (B) payments of property taxes, sales and use taxes, motor fuel
19 taxes, and excise taxes;

20 (C) a reasonable allowance, as determined under regulations
21 adopted by the department, for overhead expenses directly related to exploring
22 for, developing, and producing oil or gas deposits located within leases or
23 properties or other land in the state;

24 (2) does not include

25 (A) depreciation, depletion, or amortization;

26 (B) oil or gas royalty payments, production payments, lease
27 profit shares, or other payments or distributions of a share of oil or gas
28 production, profit, or revenue;

29 (C) taxes based on or measured by net income;

30 (D) interest or other financing charges or costs of raising equity
31 or debt capital;

1 (E) acquisition costs for a lease or property or exploration
2 license;

3 (F) costs arising from fraud, wilful misconduct, or negligence;

4 (G) fines or penalties imposed by law;

5 (H) costs of arbitration, litigation, or other dispute resolution
6 activities that involve the state or concern the rights or obligations among
7 owners of interests in, or rights to production from, one or more leases or
8 properties or a unit;

9 (I) donations;

10 (J) costs incurred in organizing a partnership, joint venture, or
11 other business entity or arrangement;

12 (K) amounts paid to indemnify the state; the exclusion
13 provided by this paragraph does not apply to the costs of obtaining insurance
14 or a surety bond from a third-party insurer or surety;

15 (L) surcharges levied under AS 43.55.201 or 43.55.300;

16 (M) for a transaction that is an internal transfer or is otherwise
17 not an arm's length transaction, expenditures incurred that are in excess of fair
18 market value;

19 (N) an expenditure incurred to purchase an interest in any
20 corporation, partnership, limited liability company, business trust, or any other
21 business entity, whether or not the transaction is treated as an asset sale for
22 federal income tax purposes;

23 (O) a tax levied under AS 43.55.011;

24 (P) the portion of costs incurred for dismantlement, removal,
25 surrender, or abandonment of a well, facility, pipeline, platform, or other
26 structure, or for the restoration of a lease, field, unit, area, body of water, or
27 right-of-way in conjunction with dismantlement, removal, surrender, or
28 abandonment, that is attributable to production of oil or gas occurring before
29 July 1, 2006; the portion is calculated as a ratio of the amount of oil and gas
30 production associated with the well, facility, pipeline, platform, or other
31 structure, lease, field, unit, area, body of water, or right-of-way occurring

1 before July 1, 2006 to the total amount of oil and gas production associated
2 with that well, facility, pipeline, platform, or other structure, lease, field, unit,
3 area, body of water, or right-of-way through the end of the calendar month
4 before commencement of the dismantlement, removal, surrender, or
5 abandonment; for purposes of the ratio calculated under this subparagraph,
6 6,000 cubic feet of gas is considered to be equivalent to one barrel of oil.

7 (e) A producer's lease expenditures must be adjusted by subtracting certain
8 payments or credits received by the producer, as provided in this subsection. If one or
9 more payments or credits subject to this subsection are received by a producer during
10 a month or, under (f) of this section, during a calendar year, and if either the total
11 amount of the payments or credits exceeds the amount of the producer's lease
12 expenditures or the producer has no lease expenditures, the producer shall nevertheless
13 subtract those payments or credits from the lease expenditures or from zero,
14 respectively, and the producer's adjusted lease expenditures for that month or calendar
15 year are a negative number and shall be applied to the calculation under (a) of this
16 section as a negative number. The payments or credits that a producer shall subtract
17 from the producer's lease expenditures, or from zero, under this subsection are
18 payments or credits, other than tax credits, received by the producer for

19 (1) the use by another person of a production facility in which the
20 producer has an ownership interest or the management by the producer of a production
21 facility under a management agreement providing for the producer to receive a
22 management fee;

23 (2) a reimbursement or similar payment that offsets the producer's
24 lease expenditures, including a payment from the state or federal government for
25 reimbursement of the producer's upstream costs, including costs for gathering,
26 separating, cleaning, dehydration, compressing, or other field handling associated with
27 the production of oil or gas upstream of the point of production;

28 (3) the sale or other transfer of

29 (A) an asset, including geological, geophysical, or well data or
30 interpretations, acquired by the producer as a result of a lease expenditure or an
31 expenditure that would be a lease expenditure if it were incurred on or after

1 July 1, 2006; for purposes of this subparagraph,

2 (i) if a producer removes from the state, for use outside
3 the state, an asset described in this subparagraph, the value of the asset
4 at the time it is removed is considered a payment received by the
5 producer for sale or transfer of the asset;

6 (ii) for a transaction that is an internal transfer or is
7 otherwise not an arm's length transaction, if the sale or transfer of the
8 asset is made for less than fair market value, the amount subtracted
9 must be the fair market value; and

10 (B) oil or gas

11 (i) that is not considered produced from a lease or
12 property under AS 43.55.020(e); and

13 (ii) the cost of acquiring which is a lease expenditure
14 incurred by the person that acquires the oil or gas.

15 (f) In place of the adjusted lease expenditures for a month under (a) of this
16 section, a producer may, at any time, elect to substitute, for every month of a calendar
17 year, 1/12 of the producer's adjusted lease expenditures for the calendar year. An
18 election made under this subsection applies to calculation of the tax under
19 AS 43.55.011(e) and (g).

20 (g) The department shall specify or approve a reasonable allocation method
21 for determining the portion of a cost that is appropriately treated as a lease expenditure
22 under (e) of this section if a cost that would otherwise constitute a lease expenditure
23 under (e) of this section is incurred to explore for, develop, or produce

24 (1) both an oil or gas deposit located within land outside the state and
25 an oil or gas deposit located within a lease or property, or other land, in the state; or

26 (2) an oil or gas deposit located partly within land outside the state and
27 partly within a lease or property, or other land, in the state.

28 (h) For purposes of AS 43.55.024(a) and (b) and only as to expenditures
29 incurred to explore for an oil or gas deposit located within land in which an explorer
30 does not own a working interest, the term "producer" in (b), (c), and (e) of this section
31 includes "explorer."

1 (i) The department may adopt regulations that establish additional standards
2 necessary to carrying out the purposes of this section, including the incorporation of
3 the concepts of 26 U.S.C. 482 (Internal Revenue Code), as amended, the related or
4 accompanying regulations of each of that section, and any ruling or guidance issued
5 by the United States Internal Revenue Service that relates to that section.

6 (j) For purposes of this section,

7 (1) "explore" includes conducting geological or geophysical
8 exploration, including drilling a stratigraphic test well;

9 (2) "ordinary and necessary" has the meaning given to "ordinary and
10 necessary" in 26 U.S.C. 162 (Internal Revenue Code), as amended, and regulations
11 adopted under that section;

12 (3) "stratigraphic test well" means a well drilled for the sole purpose of
13 obtaining geological information to aid in exploring for an oil or gas deposit and the
14 target zones of which are located in the state.

15 **Sec. 43.55.170. Additional nontransferable tax credit.** (a) For a month for
16 which a producer's tax liability under AS 43.55.011(e) exceeds zero before application
17 of any credits under this chapter, a producer that is qualified under (c) of this section
18 and, during the calendar year, has incurred a qualified capital expenditure, as that term
19 is defined in AS 43.55.024, may apply a tax credit under this section, in an amount
20 that does not exceed one-half of the amount of that expenditure, against that liability.
21 An unused portion of a tax credit may be applied to the extent otherwise allowed
22 under this section for one or more months during the same calendar year. A tax credit
23 authorized by this subsection may not be applied

24 (1) to reduce a producer's tax liability under AS 43.55.011(e) for any
25 month below zero;

26 (2) if application of the credit would cause the total of the tax credits
27 applied by the producer under this subsection during a calendar year to exceed
28 \$12,000,000; or

29 (3) by a producer that

30 (A) had commercial production of oil or gas from at least one
31 lease or property in the state before July 1, 2006, if, during 2016, application of

1 the credit would cause the total of the tax credits applied by the producer under
2 this section to exceed \$6,000,000; or

3 (B) did not have commercial production from a lease or
4 property in the state before July 1, 2006, if application of the credit would
5 cause the total of all tax credits applied by the producer under this section to
6 exceed \$120,000,000.

7 (b) The producer may take the tax credit under this section for a period of not
8 more than 120 consecutive months. The 120-month period commences in the first
9 month that begins on or after July 1, 2006, and during which the producer has
10 commercial production of oil or gas from a lease or property in the state.

11 (c) On written application by a producer, including any information the
12 department may require, the department shall determine whether the producer
13 qualifies under this section for a calendar year. To qualify under this section, a
14 producer must demonstrate that its operation in the state or its ownership of an interest
15 in a lease or property in the state as a distinct producer entity would not result in the
16 division among multiple producer entities of any production tax liability under
17 AS 43.55.011(e) that would be reasonably expected to be attributed to a single
18 producer entity if the tax credit provision of (a) of this section did not exist.

19 (d) An unused tax credit or portion of a tax credit under this section is not
20 transferable under AS 43.55.024(d), and may not be carried forward to or used in a
21 later calendar year.

22 (e) The use of a tax credit under this section does not prevent a producer from
23 taking a tax credit under AS 43.55.024(a) or 43.55.025 for the same qualified capital
24 expenditure.

25 **Sec. 43.55.180. Required reports.** (a) The Department of Revenue shall

26 (1) study

27 (A) the effects of the tax rates under AS 43.55.011(f) and of
28 potential changes in those tax rates on state revenue and on oil and gas
29 exploration, development, and production on private land; and

30 (B) the fairness of the tax rates under AS 43.55.011(f) and of
31 potential changes in those tax rates for private landowners; and

1 (2) prepare a report on or before the first day of the 2013 regular
2 session of the legislature on the results of the study made under (1) of this subsection,
3 including a recommendation as to whether those tax rates should be changed; the
4 department shall notify the legislature that the report prepared under this paragraph is
5 available.

6 (b) The Department of Revenue shall

7 (1) study the effects of the credits authorized by AS 43.55.025 and
8 43.55.170 on state revenue, on the encouragement of exploration, development, and
9 production of oil and gas deposits located in the state, and on the encouragement of
10 new entrants into the oil and gas industry in the state; and

11 (2) prepare a report on or before the first day of the 2015 regular
12 session of the legislature on the results of the study made under (1) of this subsection,
13 and shall include with the report a recommendation as to whether the legislature
14 should extend the availability of the credit under AS 43.55.025 beyond June 30, 2016;
15 the department shall notify the legislature that the report prepared under this paragraph
16 is available.

17 * Sec. 27. AS 43.55.201 is amended to read:

18 Sec. 43.55.201. Surcharge levied. (a) Every producer of oil shall pay a
19 surcharge of \$.01 [\$.02] per barrel of oil produced from each lease or property in the
20 state, less any oil the ownership or right to which is exempt from taxation.

21 (b) The surcharge imposed by (a) of this section is in addition to the tax
22 imposed by AS 43.55.011 and is due on the last day of the month on oil produced
23 from each lease or property during the preceding month. The surcharge [SHALL
24 BE PAID IN THE SAME MANNER AS THE TAX IMPOSED BY AS 43.55.011 -
25 43.55.150; AND] is in addition to the surcharge imposed by AS 43.55.300 -
26 43.55.310.

27 (c) A producer of oil shall make reports of production in the same manner and
28 under the same penalties as required under AS 43.55.011 - 43.55.180 [AS 43.55.011 -
29 43.55.150].

30 * Sec. 28. AS 43.55.201 is amended by adding a new subsection to read:

31 (d) Oil not considered under AS 43.55.020(e) to be produced from a lease or

1 property is not considered to be produced from a lease or property for purposes of this
2 section.

3 * Sec. 29. AS 43.55.300 is amended to read:

4 Sec. 43.55.300. Surcharge levied. (a) Every producer of oil shall pay a
5 surcharge of \$.04 [\$.03] per barrel of oil produced from each lease or property in the
6 state, less any oil the ownership or right to which is exempt from taxation.

7 (b) The surcharge imposed by (a) of this section is in addition to the tax
8 imposed by AS 43.55.011 and is due on the last day of the month on oil produced
9 from each lease or property during the preceding month. The surcharge [SHALL
10 BE PAID IN THE SAME MANNER AS THE TAX IMPOSED BY AS 43.55.011 -
11 43.55.150; AND] is in addition to the surcharge imposed by AS 43.55.201 -
12 43.55.231.

13 (c) A producer of oil shall make reports of production in the same manner and
14 under the same penalties as required under AS 43.55.011 - 43.55.180 [AS 43.55.011 -
15 43.55.150].

16 * Sec. 30. AS 43.55.300 is amended by adding a new subsection to read:

17 (d) Oil not considered under AS 43.55.020(e) to be produced from a lease or
18 property is not considered to be produced from a lease or property for purposes of this
19 section.

20 * Sec. 31. AS 43.55.900(6) is repealed and reenacted to read:

21 (6) "gas" means

22 (A) all natural, associated, or casinghead gas;

23 (B) all hydrocarbons that

24 (i) are recovered by mechanical separation of well
25 fluids or by gas processing in a gas processing plant; and

26 (ii) exist in a gaseous phase at the completion of
27 mechanical separation and any gas processing in a gas processing plant;
28 and

29 (C) all other hydrocarbons produced from a well not defined as

30 oil;

31 * Sec. 32. AS 43.55.900(7) is repealed and reenacted to read:

1 (7) "gross value at the point of production" means

2 (A) for oil, the value of the oil at its point of production
3 without deduction of any costs upstream of that point of production;

4 (B) for gas, the value of the gas at its point of production
5 without deduction of any costs upstream of that point of production;

6 * Sec. 33. AS 43.55.900(10) is repealed and reenacted to read:

7 (10) "oil" means

8 (A) crude petroleum oil; and

9 (B) all liquid hydrocarbons that are recovered by mechanical
10 separation of well fluids or by gas processing in a gas processing plant;

11 * Sec. 34. AS 43.55.900 is amended by adding new paragraphs to read:

12 (17) "Cook Inlet sedimentary basin" has the meaning given in
13 regulations adopted to implement AS 38.05.180(f)(4);

14 (18) "explorer" means a person who, in exploring for new oil or gas
15 reserves, incurs expenditures;

16 (19) "gas processing"

17 (A) means processing a gaseous mixture of hydrocarbons

18 (i) by means of absorption, adsorption, externaly
19 applied refrigeration, artificial compression followed by adiabatic
20 expansion using the Joule-Thomson effect, or another physical process
21 that is not mechanical separation; and

22 (ii) for the purpose of extracting and recovering liquid
23 hydrocarbons;

24 (B) does not include gas treatment;

25 (20) "gas processing plant" means a facility that

26 (A) extracts and recovers liquid hydrocarbons from a gaseous
27 mixture of hydrocarbons by gas processing; and

28 (B) is located upstream of any gas treatment and upstream of
29 the inlet of any gas pipeline system transporting gas to a market;

30 (21) "gas treatment"

31 (A) means conditioning gas and removing from gas

1 nonhydrocarbon substances for the purpose of rendering the gas acceptable for
2 tender and acceptance into a gas pipeline system;

3 (B) includes incidentally removing liquid hydrocarbons from
4 the gas;

5 (C) does not include

6 (i) dehydration required to facilitate the movement of
7 gas from the well to the point where gas processing takes place;

8 (ii) the scrubbing of liquids from gas to facilitate gas
9 processing;

10 (22) "landowner's royalty interest" means

11 (A) a lessor's royalty interest under an oil and gas lease; or

12 (B) a royalty interest that is

13 (i) held by a surface owner of land from which oil or
14 gas is produced; and

15 (ii) granted in exchange for the right to use the surface
16 of that land or as compensation for damage to the surface of that land;

17 (23) "oil and gas lease" includes an oil and gas lease, a gas only lease,
18 and an oil only lease:

19 (24) "point of production" means

20 (A) for oil, the automatic custody transfer meter or device
21 through which the oil enters into the facilities of a carrier pipeline or other
22 transportation carrier in a condition of pipeline quality; in the absence of an
23 automatic custody transfer meter or device, "point of production" means the
24 mechanism or device to measure the quantity of oil that has been approved by
25 the department for that purpose, through which the oil is tendered and accepted
26 in a condition of pipeline quality into the facilities of a carrier pipeline or other
27 transportation carrier or into a field topping plant;

28 (B) for gas, other than gas described in (C) of this paragraph,
29 that is

30 (i) not subjected to or recovered by mechanical
31 separation or run through a gas processing plant, the first point where

1 the gas is accurately metered;

2 (ii) subjected to or recovered by mechanical separation
3 but not run through a gas processing plant, the first point where the gas
4 is accurately metered after completion of mechanical separation;

5 (iii) run through a gas processing plant, the first point
6 where the gas is accurately metered downstream of the plant;

7 (C) for gas run through an integrated gas processing plant and
8 gas treatment facility that does not accurately meter the gas after the gas
9 processing and before the gas treatment, the first point where gas processing is
10 completed or where gas treatment begins, whichever is further upstream.

11 * Sec. 35. AS 43.55.011(a), 43.55.011(b), 43.55.011(c), 43.55.012, 43.55.013, 43.55.016,
12 43.55.025(k)(1), 43.55.025(k)(3), 43.55.900(1), 43.55.900(8), 43.55.900(11), 43.55.900(12),
13 and 43.55.900(16) are repealed.

14 * Sec. 36. The uncoded law of the State of Alaska is amended by adding a new section to
15 read:

16 APPLICABILITY. (a) Sections 5, 7 - 10, 12, 13, 15 - 18, 20, 24, 25, and 27 - 35 of
17 this Act and AS 43.55.160 and 43.55.170, enacted by sec. 26 of this Act, apply to oil and gas
18 produced on or after July 1, 2006.

19 (b) Section 11 of this Act applies to oil and gas produced before, on, or after the
20 effective date of sec. 11 of this Act.

21 * Sec. 37. The uncoded law of the State of Alaska is amended by adding a new section to
22 read:

23 TRANSITIONAL PROVISIONS. (a) Notwithstanding any contrary provision of
24 AS 43.55.024(a), enacted by sec. 12 of this Act, for oil and gas produced on or after July 1,
25 2006, and before January 1, 2007, the phrase "every month an annualized tax credit in an
26 amount equal to 1 2/3 percent" in AS 43.55.024(a)(1)(B), enacted by sec. 12 of this Act, shall
27 be replaced by the phrase "every month during the period July 1, 2006, through December 31,
28 2006, an annualized tax credit in an amount equal to 3 1/3 percent."

29 (b) Notwithstanding any contrary provision of AS 43.55.024(e), enacted by sec. 12 of
30 this Act, for oil and gas produced on or after July 1, 2006, and before January 1, 2007, the
31 phrase "a calendar year" in AS 43.55.024(e), enacted by sec. 12 of this Act, shall be replaced

1 by the phrase "the last six months of the calendar year."

2 (c) Notwithstanding any contrary provision of AS 43.55.024(i)(2), enacted by sec. 12
3 of this Act, for oil and gas produced on or after July 1, 2006, and before January 1, 2007,

4 (1) the number "1/24" in AS 43.55.024(i)(2)(B), enacted by sec. 12 of this
5 Act, shall be replaced by the number "1/12";

6 (2) the phrase "calendar year" in AS 43.55.024(i)(2)(B), enacted by sec. 12 of
7 this Act, shall be replaced by the phrase "last six months of the calendar year."

8 (d) Notwithstanding any contrary provision of AS 43.55.160(f), enacted by sec. 26 of
9 this Act, for oil and gas produced on or after July 1, 2006, and before January 1, 2007, the
10 phrase "for every month of a calendar year, 1/12 of the producer's adjusted lease expenditures
11 for the calendar year" in AS 43.55.160(f), enacted by sec. 26 of this Act, shall be replaced by
12 the phrase "for each of the last six months of 2006, one-sixth of the producer's adjusted lease
13 expenditures for that six-month period."

14 (e) Notwithstanding any contrary provision of AS 43.55.170(a), enacted by sec. 26 of
15 this Act, for oil and gas produced on or after July 1, 2006, and before January 1, 2007, the
16 amount of "\$12,000,000" in AS 43.55.170(a)(2), enacted by sec. 26 of this Act, shall be
17 replaced by "\$6,000,000."

18 (f) For oil and gas produced before July 1, 2006, the provisions of AS 43.55, and
19 regulations adopted under AS 43.55, that were in effect before July 1, 2006, and that were
20 applicable to the oil and gas continue to apply to that oil and gas.

21 (g) Notwithstanding any contrary provision of AS 43.55.020(a), as repealed and
22 reenacted by sec. 7 of this Act, for oil and gas produced on or after July 1, 2006, and before
23 the first day of the first month that begins at least 180 days after the effective date of sec. 7 of
24 this Act,

25 (1) the amount of the taxes that would have been levied on the producer under
26 AS 43.55, as the provisions of that chapter read on June 30, 2006, is due on the last day of
27 each calendar month on the oil and gas that was produced from each lease or property during
28 the preceding month;

29 (2) the portion, if any, of the taxes levied under AS 43.55.011(e) - (g), enacted
30 by sec. 5 of this Act, that is due under AS 43.55.020(a), as repealed and reenacted by sec. 7 of
31 this Act, and that remains unpaid, net of any credits applied as allowed by law, is due on the

1 last day of the first month that begins at least 180 days after the effective date of sec. 5 of this
2 Act.

3 (h) Notwithstanding any contrary provision of AS 43.55.030(a), as amended by sec.
4 18 of this Act, for oil and gas produced on or after July 1, 2006, and before the first day of the
5 first month that begins at least 180 days after the effective date of sec. 18 of this Act, the
6 person paying the tax shall file with the Department of Revenue, at the time an amount of tax
7 is due

8 (1) under (g)(1) of this section, the statement required under former
9 AS 43.55.030(a), as that subsection read on June 30, 2006; and

10 (2) under (g)(2) of this section, the statements required under
11 AS 43.55.030(a), as amended by sec. 18 of this Act.

12 (i) Notwithstanding any contrary provision of AS 43.55.201(a) or (b), as amended by
13 sec. 27 of this Act, or AS 43.55.300(a) or (b), as amended by sec. 29 of this Act, for oil
14 produced on or after July 1, 2006, and before the first day of the first month that begins at
15 least 180 days after the effective date of secs. 27 and 29 of this Act,

16 (1) the amount of the surcharges that would have been imposed on the
17 producer under AS 43.55, as the provisions of that chapter read on June 30, 2006, is due on
18 the last day of each calendar month on oil produced from each lease or property during the
19 preceding month;

20 (2) the portion, if any, of the surcharges imposed under AS 43.55.201(a), as
21 amended by sec. 27 of this Act, and AS 43.55.300(a), as amended by sec. 29 of this Act, and
22 that remains unpaid is due on the last day of the first month that begins at least 180 days after
23 the effective date of secs. 27 and 29 of this Act.

24 (j) Notwithstanding any contrary provision of AS 43.55.201(c), as amended by sec.
25 27 of this Act, or AS 43.55.300(c), as amended by sec. 29 of this Act, for oil produced on or
26 after July 1, 2006, and before the first day of the first month that begins at least 180 days after
27 the effective date of secs. 27 and 29 of this Act, at the time an amount of surcharge is due,

28 (1) under (i)(1) of this section, the producer shall file the report of production
29 required under former AS 43.55.201(c) and 43.55.300(c), as those provisions read on June 30,
30 2006; and

31 (2) under (i)(2) of this section, the producer shall file the report of production

1 required under former AS 43.55.201(c), as amended by sec. 27 of this Act, and
2 AS 43.55.300(c), as amended by sec. 29 of this Act.

3 (k) For purposes of taxes to be calculated and due under (g)(1) of this section and
4 statements to be filed under (h)(1) of this section, regulations that were adopted by the
5 Department of Revenue under AS 43.55, as the provisions of that chapter read on June 30,
6 2006, and that were in effect on that date apply to those taxes and statements.

7 * Sec. 38. The uncodified law of the State of Alaska is amended by adding a new section to
8 read:

9 TRANSITION: REGULATIONS AND RETROACTIVITY OF REGULATIONS. (a)
10 The Department of Revenue may proceed to adopt regulations to implement the changes
11 made by this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act),
12 but not before the effective date of the law implemented by the regulation.

13 (b) Notwithstanding any contrary provision of AS 44.62.240, a regulation adopted by
14 the Department of Revenue to implement, interpret make specific, or otherwise carry out the
15 provisions of secs. 5, 7 - 10, 12, 13, 15 - 18, 20, 24 - 35, and 37 of this Act may apply
16 retroactively as of July 1, 2006, if the Department of Revenue expressly designates in the
17 regulation that the regulation applies retroactively to that date.

18 * Sec. 39. The uncodified law of the State of Alaska is amended by adding a new section to
19 read:

20 REVISOR'S INSTRUCTION. The revisor of statutes is instructed to change the
21 heading of

22 (1) AS 43.55 from "Oil and Gas Production Taxes and Oil Surcharge" to "Oil
23 and Gas Production Tax and Oil Surcharge";

24 (2) article 1 of AS 43.55 from "Oil and Gas Properties Production Taxes" to
25 "Oil and Gas Production Tax";

26 (3) AS 43.55.011 from "Oil production tax" to "Oil and gas production tax";

27 (4) AS 43.55.025 from "Tax credit for oil and gas exploration or gas only
28 exploration" to "Alternative tax credit for oil and gas exploration";

29 (5) AS 43.55.150 from "Determination of gross value" to "Determination of
30 gross value at the point of production."

31 * Sec. 40. The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2 CONTINGENT RETROACTIVITY OF PROVISIONS OF ACT. If, under sec. 40 of
3 this Act, this Act takes effect on or after July 1, 2006, sections 5, 7 - 10, 12, 13, 15 - 18, 20,
4 24 - 37 of this Act are retroactive to July 1, 2006.

5 * Sec. 41. This Act takes effect July 1, 2006.

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: April 26, 2006

FURTHER REFERRALS:

Date of Committee Action: 5/6/06

The **FINANCE** Committee considered:

CSSB 305(FIN) am

CS FOR SENATE BILL NO. 305(FIN) am

OIL AND GAS PRODUCTION TAX

"An Act repealing the oil production tax and the gas production tax and providing for a production tax on oil and gas; relating to the calculation of the gross value at the point of production of oil and gas and to the determination of the value of oil and gas for purposes of the production tax on oil and gas; providing for tax credits against the production tax on oil and gas; relating to the relationship of the production tax on oil and gas to other taxes, to the dates those tax payments and surcharges are due, to interest on overpayments of the tax, and to the treatment of the tax in a producer's settlement with the royalty owners; relating to flared gas, and to oil and gas used in the operation of a lease or property under the production tax; relating to the prevailing value of oil and gas under the production tax; relating to surcharges on oil; relating to statements or other information required to be filed with or furnished to the Department of Revenue, to the penalty for failure to file certain reports for the tax, to the powers of the Department of Revenue, and to the disclosure of certain information required to be furnished to the Department of Revenue as applicable to the administration of the tax; relating to criminal penalties for violating conditions governing access to and use of confidential information relating to the tax, and to the deposit of tax money collected by the Department of Revenue; amending the definitions of 'gas,' 'oil,' and certain other terms for purposes of the production tax, and as the definition of the term 'gas' applies in the Alaska Stranded Gas Development Act, and adding further definitions; making conforming amendments; and providing for an effective date."

Recommends it be replaced with HCS or CS for CSSB 305 (F, W)
 For Senate Bills with new title: Technical Title New Title: HCR _____ Same Title New Title

- attach amendments
- add new referral to _____ Committee
- Letter of Intent _____ Committee

List of Abbrev for Depts.:
 ADM
 CED
 COR
 CRT
 EED
 DEC
 DFG
 GOV
 HSS
 LEG
 LAW
 LWF
 MVA
 DNR
 DPS
 REV
 DOT
 UA

<u>NEW FISCAL NOTES</u>				
*Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
REV		✓		

<u>PREVIOUS FISCAL NOTES</u>				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
	Hank	*			
	KELLY				✓
	Weyhraed			X	
	FOSTER		X		
	Wolk			X	
	Ventula				✓
	STORER				✓
	MOSES			X	
Chair:	Meyer	✓			
Chair:	Weyhraed	✓			

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
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Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

May 6, 2006

SUBJECT: HCS CSSB 305(Fin)
(Work Order No. 24-GS-2052\B)

TO: Representative Mike Chenault, Co-Chair
House Finance Committee

FROM: Jack Chenoweth
Assistant Revisor



The "B" version is based on material transmitted by fax by the House Finance Committee secretary in the early hours of Saturday morning and the amendment identified as N.4, adopted this morning.

In light of the committee's adoption of material identified as amendment 15A, language in former sec. 36(e) draft ("Notwithstanding any contrary provision of AS 43.55.170(a), enacted by sec. 26 of this Act, for oil and gas produced on or after July 1, 2006, and before January 1, 2007, the amount of "\$12,000,000" in AS 43.55.170(a)(2), enacted by sec. 26 of this Act, shall be replaced by "\$6,000,000.") seems no longer relevant, so I have deleted it, relettered later subsections within sec. 36 accordingly, and corrected internal cross-references. Amendment 15A did not address the matter.

In light of a committee amendment to committee amendment 2 dropping reference to "and necessary" in the phrase "ordinary and necessary," I have recast the definition of the term set out in AS 43.55.160(j)(2) to refer only to "ordinary." Note, however, that the federal statute cited in AS 43.55.160(j)(2) refers to "ordinary and necessary" expenses, so the cross-reference to the federal statute may not still work.

JBC:lmb
06-165.lmb

Enclosure

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HCS for SB 305(FIN)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: _____ Revenue
Title An Act Relating to the Production Tax on RDU Tax and Treasury
Oil and Gas Component Tax
Sponsor Rules Committee
Requester House Finance Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services	577.6	589.2	600.9	613.0	625.2	637.7
Travel						
Contractual	517.5	487.9	118.2	118.6	121.0	123.4
Supplies	42.0					
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous (OH office, etc)	37.1	37.1	37.1	37.1	37.1	37.1
TOTAL OPERATING	1,174.2	1,114.1	756.2	768.7	783.3	798.2

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()	See analysis section					
------------------------	----------------------	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1,174.2	1,114.1	756.2	768.7	783.3	798.2
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type—Do not abbreviate)						
TOTAL	1,174.2	1,114.1	756.2	768.7	783.3	798.2

Estimate of any current year (FY2006) cost: 275.0

Check this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time	7	7	7	7	7	7
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Relative to Status Quo

This bill would amend the oil and gas production tax by basing the tax on the net value of the oil and gas. The net value is the wellhead value (net of royalty) less all qualified lease expenditures, including capital and operating costs, property taxes. The net income would be subject to a 20% tax, less a credit of 20% which applies to capital costs upstream of the point of production. There would also be a progressive surcharge based on .25% of the difference between actual per barrel net income and \$35, applied to net income. The surcharge would not be considered a deductible lease expenditure. There would be an additional allowance of up to \$12 million per company for companies producing less than 50,000 barrels per day, which is scaled down to zero between 50,000 and 100,000 barrels per day. This allowance is limited to one-half of qualified capital expenditures. The allowance expires in 2016. In addition, as a transition provision, there would be a 20% credit for capital costs incurred over the period April 1, 2001 through April 1, 2006, recoverable at \$1 for every \$2 in capital expenditures. Transition costs cannot be recovered after 2013.

Prepared by: Robynn Wilson, Michael Williams, Roger Marks, and Cheryl Nienhuis
Division: Tax Division

Phone 269-1019
Date/Time 4/26/06 12:00 AM

Approved by: Jerry Burnett
Agency: Department of Revenue

Date 5/6/2006

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

BILL NO. HCS for SB 305 (FIN)

ANALYSIS CONTINUATION

The conservation surcharge on oil is decreased from 2 cents/bbl to 1 cent/bbl, while the additional conservation surcharge on oil is increased from 3 cents to 4 cents. The net impact of this, assuming that the oil and hazardous substance release prevention account is at capacity, would be a 1 cent/bbl increase in revenues.

The bill would be effective April 1, 2006.

Relative to Governor's Bill

The Governor's bill had no progressive surcharge. There was an deductible allowance of up to \$73 million of net income per company per year. There was a transition provision where all qualified capital expenditures incurred between July 1, 2001 through July 1, 2006 would be deductible over six years. The 3 cent conservation surcharge on oil would have been a credit against the oil tax.

The bill would have been effective July 1, 2006.

The figures in the table below reflect the revenues that would be received from the bill relative to the status quo under various prices. Columns 1-3 reflect the original fiscal note for the bill. Columns 4-5 reflect adjustments to the original fiscal note that correspond with net adjustments in state corporate income tax from changes in the severance tax, the recognition of the credit for the additional conservation surcharge on oil, the re-assessment of the number of full allowances from 7 company equivalents to nine, and minor model changes. Columns 6-8 reflect changes from converting from the Fall 2005 Department of Revenue Source Book data to Spring 2006. The volumes for the last quarter have been adjusted to reflect short-term production impacts resulting from the North Slope oil spill in March. Columns 9-11 reflect the House Resources CS. Columns 12-14 reflect the Senate Finance CS. Columns 15-17 reflect the House Finance CS. The figures reflect North Slope activity; the impact on Cook Inlet is expected to be modest. The status quo assumes the January 2005 ELF aggregation decision by the Department of Revenue for Prudhoe Bay continues.

The cost assumptions are as follows:

- \$100 mm/yr exploration
- \$1/bbl on-going capital on all barrels
- \$3.50/bbl developmental capital on 2/3 of existing conventional oil
- \$8/bbl developmental capital on 2/3 of existing heavy oil
- \$3.50/bbl developmental capital on new conventional oil
- \$8/bbl developmental capital on new heavy oil
- \$3/bbl operating cost on conventional oil
- \$5/bbl operating cost on heavy oil

The table shows the 2006-2012 receipts from the bill, sensitive to different oil prices. These include the Department of Revenue forecast, a \$40 price, and a \$60 price. (Note that the status quo numbers are slightly different from what is reflected in the Spring 2006 Revenue Sources Book because of volume adjustments from the oil spill, and because of some differences between what some taxpayers actually remit and what is ultimately expected to be collected.)

Operating expenditures include costs for 5 additional positions for auditors: 1 O & G Specialist (Range 23), 1 O & G Revenue Auditor IV (Range 22), and 3 O & G Revenue Auditor III (Range 20). These positions would be used to fulfill additional audit responsibilities inherent in a net profits tax, an amendment in the Senate regarding requires additional staff. In addition, we request 2 additional Tax Tech III positions (Range 14) to process additional information and tax returns that will be required, and additional credit applications anticipated. Personal Services reflect a 2% yearly increase.

Contractual expenditures include \$100,000 and \$70,000 for programming in FY 07 and FY 08, respectively, \$300,000 in each of FY 07 and FY 08 for help in writing regulations, \$100,000 in each year for consulting services and an estimate of chargeback costs. Supplies include computers and other supplies necessary for new positions.

See Page 3 for revenue estimates

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

BILL NO. HCS for SB 305 (FIN)

ANALYSIS CONTINUATION (MILLIONS OF 2005 DOLLARS)

GOVERNOR'S BILL
ORIGINAL FISCAL NOTE

GOVERNOR'S BILL
WITH CORPORATE INCOME TAX,
CONSERVATION SURCHARGE
NINE COMPANY ALLOWANCES
MINOR MODEL CHANGES

Fiscal Year	DOR Forecast	Col. 1 Status Quo Tax	Col. 2 Tax from Bill	Col. 3 Gain from Bill	Col. 4 Tax from Bill	Col. 5 Gain from Bill
2006	na	na	na	na	na	na
2007	\$49.20	934	1,363	429	1,317	383
2008	\$40.95	697	915	217	876	179
2009	\$25.50	404	349	-55	320	-84
2010	\$25.50	387	339	-48	310	-77
2011	\$25.50	362	351	-11	319	-43
2012	\$25.50	343	332	-10	300	-42

Fiscal Year	Medium Price	Status Quo Tax	Tax from Bill	Gain from Bill	Tax from Bill	Gain from Bill
2006	na	na	na	na	na	na
2007	\$40.00	737	1,038	301	997	260
2008	\$40.00	679	1,031	353	988	309
2009	\$40.00	673	1,118	445	1,070	397
2010	\$40.00	646	1,106	460	1,058	411
2011	\$40.00	606	1,138	532	1,086	480
2012	\$40.00	576	1,112	536	1,059	483

Fiscal Year	High Price	Status Quo Tax	Tax from Bill	Gain from Bill	Tax from Bill	Gain from Bill
2006	na	na	na	na	na	na
2007	\$60.00	1,165	1,938	773	1,879	714
2008	\$60.00	1,069	1,917	848	1,855	786
2009	\$60.00	1,042	2,007	965	1,939	897
2010	\$60.00	1,003	1,992	989	1,923	921
2011	\$60.00	941	2,051	1,110	1,977	1,036
2012	\$60.00	896	2,014	1,117	1,939	1,043

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

BILL NO. HCS for SB 305 (FIN)

ANALYSIS CONTINUATION (MILLIONS OF 2005 DOLLARS)

GOVERNOR'S BILL
CHANGES FROM FALL 2005 FORECAST
TO SPRING 2006 FORECAST

FISCAL NOTE
HOUSE RESOURCES CS

Fiscal Year	DOR Forecast	Col. 6 Status Quo Tax	Col. 7 Tax from Bill	Col. 8 Gain from Bill	Col. 9 Status Quo Tax	Col. 10 Tax from Bill	Col. 11 Gain from Bill
2006	na	na	na	na	262	517	255
2007	\$53.60	989	1,514	526	989	1,825	836
2008	\$46.90	759	1,136	377	759	1,318	559
2009	\$25.50	355	302	-52	355	323	-32
2010	\$25.50	315	283	-32	315	304	-11
2011	\$25.50	281	291	10	281	312	31
2012	\$25.50	271	291	20	271	312	41

Fiscal Year	Medium Price	Status Quo Tax	Tax from Bill	Gain from Bill	Status Quo Tax	Tax from Bill	Gain from Bill
2006	na	na	na	na	174	227	53
2007	\$40.00	708	978	270	708	967	259
2008	\$40.00	655	953	293	655	974	319
2009	\$40.00	631	1,021	390	631	1,042	411
2010	\$40.00	582	990	408	582	1,011	429
2011	\$40.00	544	1,012	468	544	1,033	489
2012	\$40.00	536	1,021	485	536	1,042	506

Fiscal Year	High Price	Status Quo Tax	Tax from Bill	Gain from Bill	Status Quo Tax	Tax from Bill	Gain from Bill
2006	na	na	na	na	275	572	297
2007	\$60.00	1,120	1,840	720	1,120	2,380	1,260
2008	\$60.00	1,032	1,786	754	1,032	2,350	1,318
2009	\$60.00	978	1,848	871	978	2,427	1,443
2010	\$60.00	901	1,800	899	901	2,366	1,465
2011	\$60.00	842	1,841	999	842	2,414	1,572
2012	\$60.00	831	1,861	1,029	831	2,438	1,607

INCLUDES VOLUMES, PRICE, TAPS, MARINE, UPSTREAM, WELLS

SPRING 2006 VOLUMES FOR THE LAST QUARTER OF FY 2006 HAVE BEEN REDUCED TO REFLECT SHORT TERM ADJUSTMENTS FROM THE NORTH SLOPE OIL SPILL

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

BILL NO. HCS for SB 305 (FIN)

ANALYSIS CONTINUATION (MILLIONS OF 2005 DOLLARS)

FISCAL NOTE
SENATE FINANCE CS

Fiscal Year	DOR Forecast	Col. 12 Status Quo Tax	Col. 13 Tax from Bill	Col. 14 Gain from Bill
2006	\$57.45	262	546	284
2007	\$53.60	989	1,937	948
2008	\$46.90	759	1,404	645
2009	\$25.50	355	377	22
2010	\$25.50	315	341	26
2011	\$25.50	281	337	56
2012	\$25.50	271	332	61

Fiscal Year	Medium Price	Status Quo Tax	Tax from Bill	Gain from Bill
2006	\$40.00	174	255	81
2007	\$40.00	708	1,050	342
2008	\$40.00	655	1,022	367
2009	\$40.00	631	1,099	468
2010	\$40.00	582	1,065	483
2011	\$40.00	544	1,090	546
2012	\$40.00	536	1,099	563

Fiscal Year	High Price	Status Quo Tax	Tax from Bill	Gain from Bill
2006	\$60.00	275	580	305
2007	\$60.00	1,120	2,382	1,262
2008	\$60.00	1,032	2,317	1,285
2009	\$60.00	978	2,393	1,415
2010	\$60.00	901	2,334	1,433
2011	\$60.00	842	2,384	1,542
2012	\$60.00	831	2,409	1,578

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

BILL NO. HCS for SB 305 (FIN)

ANALYSIS CONTINUATION (MILLIONS OF 2005 DOLLARS)

FISCAL NOTE
HOUSE FINANCE CS

Fiscal Year	DOR Forecast	Col. 15 Status Quo Tax	Col. 16 Tax from Bill	Col. 17 Gain from Bill
2006	\$57.45	262	524	262
2007	\$53.60	989	1,829	840
2008	\$46.90	759	1,296	537
2009	\$25.50	355	309	-46
2010	\$25.50	315	277	-38
2011	\$25.50	281	273	-8
2012	\$25.50	271	269	-2

Fiscal Year	Medium Price	Status Quo Tax	Tax from Bill	Gain from Bill
2006	\$40.00	174	234	60
2007	\$40.00	708	961	253
2008	\$40.00	655	935	280
2009	\$40.00	631	1,003	372
2010	\$40.00	582	973	391
2011	\$40.00	544	995	451
2012	\$40.00	536	1,004	468

Fiscal Year	High Price	Status Quo Tax	Tax from Bill	Gain from Bill
2006	\$60.00	275	559	284
2007	\$60.00	1,120	2,284	1,164
2008	\$60.00	1,032	2,228	1,196
2009	\$60.00	978	2,342	1,364
2010	\$60.00	901	2,281	1,380
2011	\$60.00	842	2,326	1,484
2012	\$60.00	831	2,346	1,515

AMENDMENT

adopted

#1

OFFERED IN THE HOUSE

BY REPRESENTATIVE CHENAULT

TO: TO: HCS CS SB 305 (FIN) Work Draft 24-GS2052N

- 1 Page 21, lines 16-17, following "United States"
- 2 Delete "in determining"
- 3 Insert "that determine the"
- 4
- 5 Page 28, line 14, following "of the"
- 6 Delete "credit"
- 7 Insert "credits"
- 8
- 9 Page 28, line 14, following "43.55.025"
- 10 Delete "beyond June 30, 2016"
- 11 Insert "and 43.55.170"

AMENDMENT

Adopted

#2

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: HCS CS SB 305 (FIN) Work Draft 24-GS2052N

*amendment to amend
lines 3, 7, 11 delete
"and necessary"*

- i Page 21, line 6, following "direct"
- 2 Delete ", ordinary,"
- 3 Insert "and ordinary ~~and necessary~~"
- 4
- 5 Page 21, line 9, following "direct"
- 6 Delete ", ordinary,"
- 7 Insert "and ordinary ~~and necessary~~"
- 8
- 9 Page 21, line 12, following "direct"
- 10 Delete ", ordinary,"
- 11 Insert "and ordinary ~~and necessary~~"
- 12

AMENDMENT

adopted

#3

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: HCS CS SB 305 (FIN) Work Draft 24-GS2052\N

- 1 Page 22, line 18, following "payments of"
- 2 Insert "or in lieu of"
- 3

AMENDMENT

#4

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: HCS CS SB 305 (FIN) Work Draft 24-GS2052\N

with drawn

- 1 Page 22, line 5, following “;”
- 2 Delete “and”
- 3 Insert “or”
- 4

AMENDMENT

Withdrawn #5

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: HCS CS SB 305 (FIN) Work Draft 24-GS2052\N

- 1 Page 23, line 3, following "misconduct,"
- 2 Insert "gross"
- 3

New

AMENDMENT

~~§~~ failed
5-6

5a

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: HCS CS SB 305 (FIN) Work Draft 24-GS2052N

- 1 Page 23, line 3, following "misconduct, or"
- 2 Insert "gross"
- 3

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5-6-06

Amendment: 5a

MEMBER	Favor	Oppose
MOSES	✓	
STOLTZE		✓
WEYHRAUCH		✓
FOSTER	✓	
HAWKER	✓	
HOLM		✓
JOULE		✓
KELLY		✓
KERTTULA		✓
MEYER	✓	
CHENAULT	✓	

5 - 6

CONCEPTUAL AMENDMENT

adopted

#6

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: HCS CS SB 305 (FIN) Work Draft 24-GS2052N

- 1 TO AS 43.55.130 (c), which begins on page 24
- 2 Add language, where appropriate, to include "insurance recoveries" as mandatory
- 3 subtractions to a producer's lease expenditures.

AMENDMENT

adopted

#7

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: HCS CS SB 305 (FIN) Work Draft 24-GS2052N

- 1 Page 26, line 4, following "regulations"
- 2 Delete "of each"

This amendment makes a grammatical change made necessary by the deletion of language referring to federal code sections in the Finance CS.

AMENDMENT

adopted

12-4

#8

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: HCS CS SB 305 (FIN) Work Draft 24-GS2052\N

8-2

- 1 Page 33, line 23, following "at least"
- 2 Delete "180 days"
- 3 Insert "10 months"
- 4
- 5 Page 34, line 1, following "at least"
- 6 Delete "180 days"
- 7 Insert "10 months"
- 8
- 9 Page 34, line 5, following "at least"
- 10 Delete "180 days"
- 11 Insert "10 months"
- 12
- 13 Page 34, line 15, following "at least"
- 14 Delete "180 days"
- 15 Insert "10 months"
- 16
- 17 Page 34, line 22, following "at least"
- 18 Delete "180 days"
- 19 Insert "10 months"
- 20
- 21 Page 34, line 26, following "at least"
- 22 Delete "180 days"
- 23 Insert "10 months"

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5-5-06

Amendment: 8

MEMBER

Favor

Oppose

MOSES	✓	
STOLTZE		✓
WEYHRAUCH	—	
FOSTER	✓	
HAWKER	✓	
HOLM	✓	
JOULE	✓	
KELLY	✓	
KERTTULA		✓
MEYER	✓	
CHENAULT	✓	

8

2

AMENDMENT

adopted

#9

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: HCS CS SB 305 (FIN) Work Draft 24-GS2052N

- 1 Page 12, lines 12-17
- 2 Delete all material
- 3

The amendment would eliminate entities that are not regulated by FERC from credit pass through requirements.

AMENDMENT

Adopted
10-1 #10

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: HCS CS SB 305 (FIN) Work Draft 24-GS2052\N

- 1 Page 19, lines 5 through 30
- 2 Delete all material
- 3
- 4 Renumber following sections accordingly
- 5

The amendment deletes RSA language.

HOUSE FINANCE COMMITTEE ROLL CALL

DATE: 5-5-06

Amendment: 10

MEMBER

Favor

Oppose

STOLTZE	✓	
WEYHRAUCH		✓
FOSTER	✓	
HAWKER	✓	
HOLM	✓	
JOULE	✓	
KELLY	✓	
KERTTULA	✓	
MOSES	✓	
CHENAULT	✓	
MEYER	✓	

10

1

AMENDMENT

Adopted

#11

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

/Kelly

TO: HCS CS SB 305 (FIN) Work Draft 24-GS2052N

1 Page 10, following line 7

2 Insert a new subsection to read:

3 “(f) Under standards established in regulations adopted by the department and
4 subject to appropriations made by law, the department, on the written application of the
5 person to whom a transferable tax credit has been issued under (d) of this section and
6 whose average amount of oil and gas produced a day taxable under AS 43.55.011(e) is
7 not more than 50,000 barrels of oil equivalent per day for the preceding calendar year,
8 shall issue a cash refund, in whole or in part, for the certificate if the department finds

9 (1) after investigation and audit of the tax credit claim by the department, the
10 applicant is entitled to the credit to the extent of the refund amount;

11 (2) within 24 months after having applied for the transferable tax credit
12 certificate, the applicant incurred a qualified capital expenditure or was the successful
13 bidder on a bid submitted for a lease on state land under AS 38.05.180(f);

14 (3) the amount of the refund would not exceed the total of qualified capital
15 expenditures and successful bids described in (2) of this subsection that have not been the
16 subject of a finding made under this paragraph for purposes of a previous refund;

17 (4) the applicant does not have an outstanding liability to the state for unpaid
18 delinquent taxes under this title; and

19 (5) the sum of the amount of the refund applied for and amounts previously
20 refunded to the applicant during the calendar year under this subsection would not exceed
21 \$25,000,000.”

22

23 Renumber the following sections accordingly

not offered

#12

Weyhrauch

AMENDMENT _____

CSHB 488(FIN)

Page 24 line 7 insert the following:

- (Q) costs associated with a catastrophic oil discharge, the containment and clean up expenses incurred by the producer or any damages incurred by the producer.

40

24-GS2052\N.20
Chenoweth
5/5/06

failed
3-8

A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE WEYHRAUCH

TO: HCS CSSB 305(FIN), Draft Version "N"

1 Page 5, line 4, following "gas":

2 Insert ", except that, for years beginning after December 31, 2007, the commissioner
3 shall adjust the number to be subtracted to account for inflation"

5 Page 5, lines 5 - 6:

6 Delete all material and insert:

7 "For purposes of this subsection,

8 (1) a barrel of oil equivalent is a barrel of oil, in the case of oil, or
9 6,000 cubic feet of gas, in the case of gas; and

10 (2) the commissioner shall adjust the figure to be subtracted according
11 to and to the extent of changes in the Consumer Price Index for all Urban Consumers
12 for the Anchorage Metropolitan Area compiled by the Bureau of Labor Statistics,
13 United States Department of Labor and applied to the rate specified in this subsection,
14 for purposes of this subsection, the index for January of 2007, is the reference base
15 index."

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5-6-06

Amendment: 40

MEMBER	Favor	Oppose
MOSES		✓
STOLTZE		✓
WEYHRAUCH	✓	
FOSTER	✓	
HAWKER		✓
HOLM		✓
JOULE		✓
KELLY		✓
KERTTULA		✓
MEYER	✓	
CHENAULT		✓

3 - 8

#13

AMENDMENT

Chenault

OFFERED IN THE HOUSE BY REPRESENTATIVE ~~ROKBERG~~
TO: HCS CSSB 305(FIN), Draft Version "N"

Page 19, following line 30:

Insert: ^(e) Costs of transportation of gas include underground gas storage costs for gas that has been produced from a lease or property in the Cook Inlet sedimentary basin and is stored for purposes of meeting demand by consumers of the gas."

not taking up

13a

AMENDMENT #13a

Chenault

OFFERED IN THE HOUSE BY REPRESENTATIVE ROKEBERG
TO: HCS CSSB 305(FIN), Draft Version "N"

Page 19, line 5:

Insert new **Section 25**: AS 43.55.150 is amended to by adding a new subsection to read:

(d) In determining the gross value of gas under (a) of this section, the department may allow as reasonable costs of transportation underground gas storage costs for gas that has been produced from a lease or property in the Cook Inlet sedimentary basin and is stored for purposes of meeting demand by consumers of the gas."

[Handwritten signature]

adopted

#14

24-GS2052N.4
Chenoweth
5/5/06

AMENDMENT

Chenault

OFFERED IN THE HOUSE

BY REPRESENTATIVE ~~ROBERTS~~

TO: HCS CSSB 305(FIN), Draft Version "N"

1 Page 15, lines 18 - 28:

2 Delete "]; however, notwithstanding any other provision of this section, after the end
3 of the calendar year following the calendar year in which the total of production tax
4 credit certificates issued by the department under this section based on exploration
5 expenditures for Cook Inlet prospects reaches \$20,000,000, the department may not issue
6 to an explorer a production tax credit certificate [IF THE TOTAL OF PRODUCTION TAX
7 CREDITS SUBMITTED FOR COOK INLET PRODUCTION,] based on an exploration
8 expenditure for a Cook Inlet prospect [EXPENDITURES FOR WORK PERFORMED
9 DURING THE PERIOD DESCRIBED IN (b) OF THIS SECTION FOR THAT
10 PRODUCTION, THAT HAVE BEEN APPROVED BY THE DEPARTMENT EXCEEDS
11 \$20,000,000]"

12 Insert "; HOWEVER, NOTWITHSTANDING ANY OTHER PROVISION OF THIS
13 SECTION, THE DEPARTMENT MAY NOT ISSUE TO AN EXPLORER A
14 PRODUCTION TAX CREDIT CERTIFICATE IF THE TOTAL OF PRODUCTION TAX
15 CREDITS SUBMITTED FOR COOK INLET PRODUCTION, BASED ON
16 EXPLORATION EXPENDITURES FOR WORK PERFORMED DURING THE PERIOD
17 DESCRIBED IN (b) OF THIS SECTION FOR THAT PRODUCTION, THAT HAVE BEEN
18 APPROVED BY THE DEPARTMENT EXCEEDS \$20,000,000]"

adopted

#15A

5/5/2006
(5:00 P.M.)

AMENDMENT

Hawker
Chenault

OFFERED IN THE HOUSE

BY _____

TO: HCS CSSB 305(FIN) (24-GS2052\N Work Draft: 5/4/06)

1 Page 26, line 18, following "and":

2 Delete all material

3 Insert "whose average amount of oil and gas produced a day and taxable under
4 AS 43.55.011(e) is less than 100,000 barrels of oil equivalent a day"

5

6 Page 26, line 19:

7 Delete "is defined in AS 43.55.024,"

8 Delete ", in an amount"

9

10 Page 26, line 20:

11 Delete "that does not exceed one-half of the amount of that expenditure,"

12

13 Page 26, line 20, following "liability.":

14 Insert the following new material:

15 "A producer whose average amount of oil and gas produced a day and taxable
16 under AS 43.55.011(e) is

17 (1) not more than 50,000 barrels of oil equivalent may apply a tax
18 credit of up to \$1,000,000 for the month;

19 (2) more than 50,000 and less than 100,000 barrels of oil
20 equivalent may apply a tax credit of up to the following fraction of
21 \$1,000,000 for the month:

22
$$1 - [2 \times (AP - 50,000)] / 100,000,$$

23 where AP = the average amount of oil and gas, expressed as barrels of oil
24 equivalent, produced a day during the month and taxable under AS 43.55.011(e)."

1

2 Page 26, line 21, through page 27, line 10:

3 Delete all material

4 Insert the following new material:

5 “(b) A producer may not take a tax credit under this section for any month that
6 ends the later of

7 (1) July 31, 2016; or

8 (2) the tenth anniversary of the last day of the month for which the
9 producer first has commercial oil or gas production from at least one lease or property in
10 the state, if the producer did not have commercial oil or gas production from a lease or
11 property in the state before July 1, 2006.”

12

13 Page 27, line 18, following “exist.”:

14 Insert the following new material:

15 “(d) A tax credit authorized by this section may not be applied to reduce a
16 producer’s tax liability under AS 43.55.011(e) for any month below zero. An unused
17 portion of a tax credit that could otherwise be applied for a month but whose application
18 would cause the producer’s tax liability under AS 43.55.011(e) for the month to be less
19 than zero may be applied for one or more other months in the same calendar year to the
20 extent otherwise allowed under this section.”

21

22 Page 27, line 19:

23 Delete “(d)”

24 Insert “(e)”

25

26 Page 27, line 20:

27 Delete “under AS 43.55.024(d)”

28

29 Page 27, line 22, through page 27, line 24:

30 Delete all material

31 Insert the following new material:

1
2
3

“(f) For the purposes of this section, a barrel of oil equivalent is

(1) one barrel of oil, in the case of oil;

(2) 6,000 cubic feet of gas, in the case of gas.”

#16

passed 7-4

24G-2
5/5/2006
(1:21 P.M.)

AMENDMENT

OFFERED IN THE HOUSE

BY Chenault

TO: HCS CSSB 305(FIN) (24-GS2052\N Work Draft: 5/4/06)

1 Page 10, line 25:

2 Delete "July 1"

3 Insert "April 1"

4

5 Page 11, line 1:

6 Delete "July 1"

7 Insert "April 1"

8

9 Page 11, line 2:

10 Delete "July 1"

11 Insert "April 1"

12

13 Page 11, line 3:

14 Delete "July 1"

15 Insert "April 1"

16

17 Page 11, line 4:

18 Delete "July 1"

19 Insert "April 1"

20

21 Page 11, line 7:

22 Delete "July 1"

[Handwritten note: January 1 2007 - 7-2-06 to 4/1/06]

- 1 Insert "April 1"
- 2
- 3 Page 11, line 8:
- 4 Delete "July 1"
- 5 Insert "April 1"
- 6
- 7 Page 11, line 23:
- 8 Delete "July 31"
- 9 Insert "April 30"
- 10
- 11 Page 11, line 28:
- 12 Delete "July 1"
- 13 Insert "April 1"
- 14
- 15 Page 21, line 5:
- 16 Delete "July 1"
- 17 Insert "April 1"
- 18
- 19 Page 23, line 29:
- 20 Delete "July 1"
- 21 Insert "April 1"
- 22
- 23 Page 24, line 1:
- 24 Delete "July 1"
- 25 Insert "April 1"
- 26
- 27 Page 25, line 1:
- 28 Delete "July 1"
- 29 Insert "April 1"
- 30
- 31 Page 26, line 31: